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**4 October 1985**

# **East Europe Report**

**ECONOMIC AND INDUSTRIAL AFFAIRS**



**FOREIGN BROADCAST INFORMATION SERVICE**

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4 October 1985

# EAST EUROPE REPORT ECONOMIC AND INDUSTRIAL AFFAIRS

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INTERNATIONAL AFFAIRS

CEMA COOPERATION IN RAIL TRANSPORTATION DETAILED

East Berlin EISENBAHNPRAXIS in German Vol 29 No 4, 1985 (signed to press 10 Jun 85) pp 123-127

[Article by Heinz Gerber, lawyer, deputy minister for transportation: "GDR Cooperation with Socialist Countries in Rail Transportation"]

[Text] In addition to the demanding tasks of domestic traffic, the GDR railroad, as a primary transportation carrier, has an important contribution to make to guaranteeing the GDR's foreign trade interests. In this connection the growing importance of transportation in foreign trade is underscored by the fact that the opportunities and requirements of international cooperation--especially in the context of socialist economic integration--also grow objectively with the internal development of socialism.

Thus, the 40th anniversary of transferring the railroad to the public domain constitutes a notable reason for reviewing the successful cooperation over many years between the GDR and the socialist countries in the rail transportation sector.

1. International Cooperation and Rail Transport

International transport relations, as an organic, inseparable unit, are an integral part of the totality of international relations and above all else have the character of international law. Their special importance derives from the fact that they guarantee the direct material link between the countries.

In order to assess the great importance which the socialist countries have achieved overall in developing rail transportation we should once again briefly recall the enormous reconstruction work which had to be accomplished in the years following World War II. In the USSR 26 of 44 prewar main railroad lines were completely out of commission and 8 were damaged. In Poland 64 percent of the railroad's basic assets, almost all the large railroad stations and approximately 70 percent of the car pool was destroyed. In the territory of the GDR, numerous sections of track and railroad stations and about 1,000 railroad bridges were destroyed. In Czechoslovakia over 2,000 km of track and numerous bridges and tunnels were affected.

Burdened with this legacy, socialist railroad administrative offices had to tackle development of international rail transport. From the very beginning, socialist development was accompanied by close economic cooperation within CEMA which resulted in high demands on international transport, especially in rail transport.

Within CEMA the process of socialist economic integration has in recent years resulted in an important increase in the economic potential of the number countries.

Thus, since 1970 the CEMA countries have shown an 1.8 increase in their national income and doubled industrial production, whereas the EC countries achieved only 1.3 and 1.2 increased, respectively, in these indexes.

As a result of the increasing integration of the economies, the volume of trade between the CEMA countries has increased even more rapidly.

The mutual exchange of goods has more than quadrupled in this period. (Table 1). Even in tourist traffic, development shows a similar trend.

Table 1 Sales of CEMA Countries in Mutual Trade (billions in rubles)

Year	Volume	Percent
1970	33.5	100
1975	71.0	212
1980	121.4	362
1984	approximately 164	489

In connection with the establishment of new integration projects in the Soviet Union--especially to develop and supply raw materials for our economy--transport capacities of the GDR/USSR routes will undergo substantial increases in the next few years. Even now these transports account for about one-fourth of the volume of export goods between the GDR and USSR, which must be accommodated by the railroad.

Such growing transport capacities and the concomitant high qualitative requirements naturally demand close cooperation in the management and organization of the international transport processes.

In order to control the diverse tasks which result from establishing, implementing, maintaining and promoting international transport relations certain bilateral and multilateral organizational structures have been developed on the governmental and non-governmental level. In the bilateral area these include, for example, transportation agreements and cooperation in joint economic committees at the governmental level as well as direct relations between the ministries of transportation and the carriers of the individual countries.

In the multilateral area the most purposeful organizational structure has proven to be cooperation in special international organizations.

In this connection for the overall process of integration, CEMA as the chief multilateral international organization in the economic and scientific-technical sector is at the forefront. It comprises, as it were, the center around which additional bilateral organs and other multilateral organizational structures (for example OPW [joint freight car pool], SPC [large container pool], OSShD [Organization for Cooperation Among Railroads]) are grouped and which translate into action the basic principle which was coordinated within CEMA in line with the specifics of the relationships in question.

## 2. Cooperation by the Railroads in the CEMA Organs

The central organ for organization and management of the integration process for transportation in the socialist countries is the permanent CEMA commission for cooperation in the transportation sector (SKT) which was established in 1958 as one of 20 permanent commissions and which to an increasingly greater extent impacts the coordinated creation of prerequisites for increasing capacity and for the further development of the railroad systems into a uniform transport system within the context of the socialist community of states.

In this capacity the SKT deals with and makes decisions on:

- all essential mutually coordinated measures to guarantee the international transport of goods and people between the CEMA member countries,
- the most purposeful division of labor between the carriers,
- the coordination of long-term development plans,
- the exchange of experiences and scientific-technical cooperation to promote rationalization processes in domestic and international traffic.

As a rule the SKT holds its meetings twice a year; the national delegations are led by the ministers of transportation. By way of preparing for the decisions and resolutions, it has set up special sections in accordance with the complexity and the specifics of the individual transportation branches. (Figure 1).

Milestones in the cooperation among CEMA countries in the railroad sector were the adoption of

- the comprehensive CEMA program for further deepening and improving cooperation and development of socialist economic integration in 1971,
- the long-term program of objectives of cooperation for developing transport links in 1979, and
- the documents of the June 1984 economic conference of the CEMA member countries at the highest level.

With the June 1984 CEMA economic conference a qualitatively new phase in the integration of the economies of the socialist countries was introduced. The



measures for comprehensive development of transportation links involve such important tasks as improving the system of planning of the conditions for transporting foreign trade goods, rebuilding and developing international main rail transport lines by the year 2000, increasing transshipping capacities of border railroad stations and the rationalization of the transporting, transshipping and warehousing processes through the application of modern transport technologies (container and pallet transport).

The basic design for developing main railroad lines by the year 2000 comprises a total of almost 19,000 km and provides among other things for the rebuilding of about 10,000 km, electrification of 6,300 km and new construction (second tracks) on 2,570 km of track.

The network comprises 14 east-west and 4 north-south routes. In the GDR these include among others the Rostock-Berlin-Dresden-Bad Schandau line and the Wismar-Magdeburg-Leipzig-Dresden-Bad Schandau and Frankfurt (Oder)-Berlin line.

Important questions concerning the long-term development of cooperation among railroads were dealt with at the 73rd meeting of the SKT in Frankfurt (Oder); thus, for example, coordination of current transport capacities for the period 1986-1990, continuation of work to improve the international rail transit tariff and confirmation of essential basic parameters for the "Interpress" system of fast excursion trains which is to be created between the CEMA countries.

Increasing efficiency and guaranteeing the necessary transport capacities was and is the central transportation policy task which is the focal point of all other comprehensive measures.

With the goal of more efficient use of the freight car pool an agreement was signed in December 1963 at the 10th meeting of the CEMA executive committee concerning the establishment and joint use of the joint freight car pool (OPW). The basic objectives, specifically

--reducing freight car deadheading,

--speeding up freight car turnaround,

--relieving the main rail lines and border railroad stations,

have been fully confirmed in the past 22 years and have resulted in a marked increase in efficiency.

Overall, a demonstrable 30-percent reduction in deadheading can be expected. This positive balance sheet is also illustrated by the fact that since 1964 the volume shares of 95,200 freight cars on 308,487 double axles increased by the end of 1984 (Table 2).

Table 2. Development of the Freight Car Pool of the OPW (double axles)

Year	Double Axles	Percent
1964	95,200	100
1974	272,430	286
1984	308,447	324

The supreme organ, the OPW Council, is made up of the authorized representatives of the governments of the participating countries (deputy ministers for transportation and general directors of the railroads) and as a rule meets twice a year.

All current projects which are related to the operation and utilization of the joint freight car pool, mutual clearing procedures and control are implemented by the office of the OPW located in Prague (Figure 2).

The office is composed of an international collective (at present four staff workers from the GDR).

In the context of the CEMA agreement on the "application of computer technology and mathematical methods in transportation" a special EDP program using the most modern ESER [uniform data processing system] technology was developed for the OPW office in the computer center of the Czechoslovak railroads. This speeds up settlement procedures and guarantees objective control.

On the basis of the positive experiences from the OPW work, development of a system of joint use of the large container pool of the CEMA countries (SPC) was also undertaken using in many respects similar basic principles. One essential point of difference, however, consists in the fact that in the SPC there is total exchange of large containers between the agreement partners without having established for it a common pool with set volume shares.

All carriers are simultaneously involved in the exchange; in this connection the railroad is responsible for 92 percent of all large containers which to date have been used for shipping.

The appropriate government agreement concerning the formation of an SPC Council and its working organ, the SPC office, headquartered in Bucharest, was signed in June 1974 by the CEMA countries. The SPC office, in a manner similar to that of the OPW office, exercises the function of the secretariat of the council and maintains the necessary contacts with the organs of CEMA, other branch industries and institutions. Following an introductory period in which the essential multilateral controls and normative documents were developed with the active cooperation of the GDR representatives (head organizer in the GDR is the VEB Deutrans [Deutrans International Shipping and Charter]-Transcontainer it was possible effective July 1, 1978, to implement joint utilization. Since then large container transport between CEMA countries has developed by leaps and bounds (Table 3).

Table 3. Development of Large Container Shipping by SPC Countries (units)

Year	Number	Percent
1974	45,000	100
1975	71,000	158
1980	164,000	364
1984	343,000	762

But it is also apparent that economic controls must be further improved in order to continue to stimulate output and for more efficient use of the large container pool. This is especially true of establishing appropriate stimulating rates and of regulating the balance of empty containers.

It can be estimated that overall the two organizations OPW and SPC have proven themselves in practice and are the result and expression of the objectively progressing process of further deepening of cooperation between the CEMA member countries within the context of socialist economic integration.

### 3. Organization for Cooperation Among Railroads of the Socialist Countries (OSShD)

The OSShD, as the most important international railroad organization in the socialist countries, was established in 1957 by 12 socialist states in Europe and Asia and in 1966 accepted the Republic of Cuba as an additional member. Its establishment took place with the goal of clarifying multi-laterally interesting problems within its own socialist organization which remained uninfluenced by capitalist railroads and countries, more specifically:

- the organization of operational implementation of international transports of all kinds and their annual balancing between the participating socialist countries,
- the preparation of tariffs for international passenger and freight traffic,
- the technical-technological further development and standardization of vehicles and plants,
- improvement of scientific-technical cooperation.

Beyond that fundamental questions relating to vehicle traffic and roads as well as other relevant sectors are being dealt with (information and film industry, railroad medical services).

The basic structure of the OSShD is shown in Figure 3. The supreme organ is the meeting of the conference of ministers whose 13th meeting was held in Cuba at the end of May. Important functions in the implementing organ, the committee, are handled by the GDR representatives, specifically chairing the 11th Commission (Vehicle Traffic and Roads) and with the function of editor-in-chief of the OSShD journal. The GDR is represented on the Sixth and Seventh Commissions by a council.

A focal point of cooperation in the past few years in particular were the negotiations relating to tariff questions (First, Second and Third Commissions). In this sense the OSShD also assumes responsibility for administering two important agreements, the Agreement on International Railroad Passenger Traffic (SMPS) and the Agreement on International Railroad Freight Traffic (SMGS). Putting these agreements into effect in November 1951 can be justly viewed as the hour of birth of socialist international traffic legislation, because with it a new type of international relations based on traffic law was created on the basis of the principles of socialist internationalism.

Making the OSShD's automatic telephone and telegraph network operational was an additional key task of the OSShD in the past few years.

Joints groups of the OSShD and VIC were temporarily established to coordinate problems which tended to overlap, which are of importance both for the socialist as well as the capitalist railroad administrations in Europe. Thus, for example, coordinated statements on the development of automatic coupling and on uniform numerical coding of transport units could be developed and documented in appropriate recommendations or instruction sheets.

#### 4. Bilateral Cooperation by the Railroads of the Socialist Countries

In the documents of the June 1984 CEMA economic conference, as a primary task of socialist economic integration, the focus is on activating the direct mutual relation between the CEMA member countries to deepen specialization and cooperation.

This fundamental strategic principle is concretely expressed in the preparation and coordination of bilateral long-term programs of cooperation in science, technology and production with the socialist countries. At present these tasks also define the main content of bilateral cooperation in the transportation sector. The overall cooperation is set forth in the context of the bilateral economic committees which have appropriate commissions and task forces on cooperation between the individual branches of industry. GDR transportation cooperates in such committees with the USSR, Poland, Czechoslovakia, Romania, Bulgaria and Yugoslavia (Table 4).

Table 4. Organization of Bilateral Cooperation of the Socialist Countries in Transportation

Partner	State Organ	Transportation Committee	Task Forces
USSR	Joint government commission for economic and technical cooperation	Semiannual and annual railroad transport conferences, jointly with Poland	Task forces within the context of the government agreements



Partner	State Organ	Transportation Committee	Task Forces
USSR			--ferry traffic --track building technology direct scientific-technical cooperation with six USSR transport ministries
Poland	Committee for economic and scientific-technical cooperation	Transport Commission semiannual and annual railroad transport conferences, jointly with the USSR	Sub-task forces: --bilateral railroad traffic --cooperation --vehicle traffic --ocean traffic --research and development; --inland shipping
CSSR	Joint committee for economic and scientific-technical cooperation	Permanent task force for transportation	Sub-task forces --railroad --research and development --vehicle traffic --roads --inland shipping --air transport
Bulgaria	Committee for economic and scientific-technical cooperation	Permanent Task Force for Transportation	Sub-task force for cooperation between GDR railroad and Bulgarian State Railroads (BDZ)
Romania	Committee for economic and scientific-technical cooperation	Permanent task force for transportation	Sub-task force --railroad traffic --material cooperation between GDR railroad and Hungarian State Railroad (MAV)

Partner	State Organ	Transportation Committee	Task Forces
Yugo- slavia	Joint Committee for economic and scientific-tech- nical cooperation	Transport Commis- sion	Task force --railroad traffic --ocean traffic

In the rail transport sector the key points of cooperation are in the following areas:

--solving fundamental questions on guaranteeing foreign trade transport, especially annual or semiannual coordination of transport capacities according to stable and economically efficient varieties of transportation,

--strict coordination of bilateral international contract work to realize government agreements,

--creation of effective solutions to increase efficiency by preparing modern transport technologies, developing the capacity of border railroad stations, electrifying border routes with Czechoslovakia and Poland, reducing travel times,

--conclusion of cooperation agreements in developing rationalization means, particularly in respect to maintenance of the vehicle pool,

--expansion of direct scientific-technical cooperation on the basis of the main national directions in the development of science and technology.

In the cooperation with the USSR, guaranteeing increasing rail transports in connection with the involvement of the GDR in building the capacities of the raw-materials producing industry in the Soviet Union poses increasingly higher demands on the management and organization of this process.

The realization of the government agreement which was concluded in 1982 on the establishment of a rail ferry link between the GDR and the USSR (Mukran-Klaipeda) demands a high degree of bilateral coordination. Until the scheduled start of operation of this joint construction project, which is the largest to date in the transportation sector, in October 1986 the three joint task forces will have extensive work to do to coordinate the requisite normative and planning documents. The railroads have a large share in this.

To meet the needs of the GDR railroad for modern track building technology with simultaneous relief from NEW [non-socialist monetary area] imports, which have been required to date, a government agreement on the joint development and production of track building machines and replacement parts was signed in 1984 at the 34th meeting of the GDR/USSR Joint Government Commission. In the GDR the Ministry of Transportation is responsible for this agreement. In order to realize the deliveries which are scheduled

starting in 1986 the appropriate design and production capacities were created for this in the GDR railroad's Blankenburg Research and Development Works (FEW).

Furthermore, there was an agreement with the USSR Ministry of Railways on cooperating in respect to specialization and cooperation for the construction of rationalization means in the repair sector for diesel and electric locomotives and freight and passenger cars. In a later phase this cooperation is to be expanded to the application of robot and microcomputer technology.

The research cooperation program was coordinated with Poland up to the year 2000.

Central to the bilateral conferences with the CSSR were such questions as

- improving the quality of tourist traffic by shortening travel times between Berlin and Prague,

- electrification of the Bad Schandau-Decin route and initiating the electric dual system trial operation at the end of 1986,

- preparation and conclusion of a government agreement on cooperation in the production of track building technology.

Agreements were reached with Bulgaria and Romania about guaranteeing exports of perishable goods from southeastern European countries and improvements in tourist traffic.

These few examples illustrate the high degree of bilateral relations at the governmental level which are supplemented in the diverse direct contacts between the research institutions and railroad enterprises of the socialist countries.

They are proof of the consistency with which the GDR together with the USSR and other socialist sister countries are tackling the realization of the "main directions of further development and deepening of the economic and scientific-technical cooperation of the CEMA member countries" which were adopted in June 1984 by the CEMA economic conference and the realization of the measures in the transportation sector which were set forth in them.

This program which contains the tasks for developing transport links and for increasing the efficiency of the railroads up to the year 2000 also establishes the key issues for the activity of the bilateral committees between the GDR and the socialist countries. This cooperation has developed organically in the past 40 years and the GDR's railroad people will do everything they can in the spirit of socialist internationalism to further solidify the alliance in the context of CEMA. This is where we see our contribution to economic strengthening, security and peace of the peoples in the socialist community of states.

## 5. Concluding Remarks

The intensification of economic cooperation on an international scale is in line with a fundamental dialectical and historical law of social development in the current period and to an increasing extent leaves its mark on the further development of production forces in the countries of the socialist community of states.

This objective necessity for deepening international cooperation--especially within the context of CEMA--poses increasing foreign-trade demands on transportation. This means that the GDR's international transport policy will continue to focus on strengthening the economic integration of the socialist countries and to further develop in a purposeful and planned manner the requisite transport system.

With the declaration which was adopted in 1984 at the CEMA economic conference about maintaining peace and international economic cooperation and with the declaration concerning the main directions of the further development and deepening of economic and scientific-technical cooperation by the CEMA member countries we have the basic strategic documents for the further intensification of the economies in the socialist countries. Transportation is definitely included in this development process. The railroad as a primary carrier plays a key role in this--in the future more than ever.

Also, the further development of bilateral and multilateral relationships in the railroads of the socialist countries, as a component of the GDR's uniform transport policy, is aimed in this future direction.

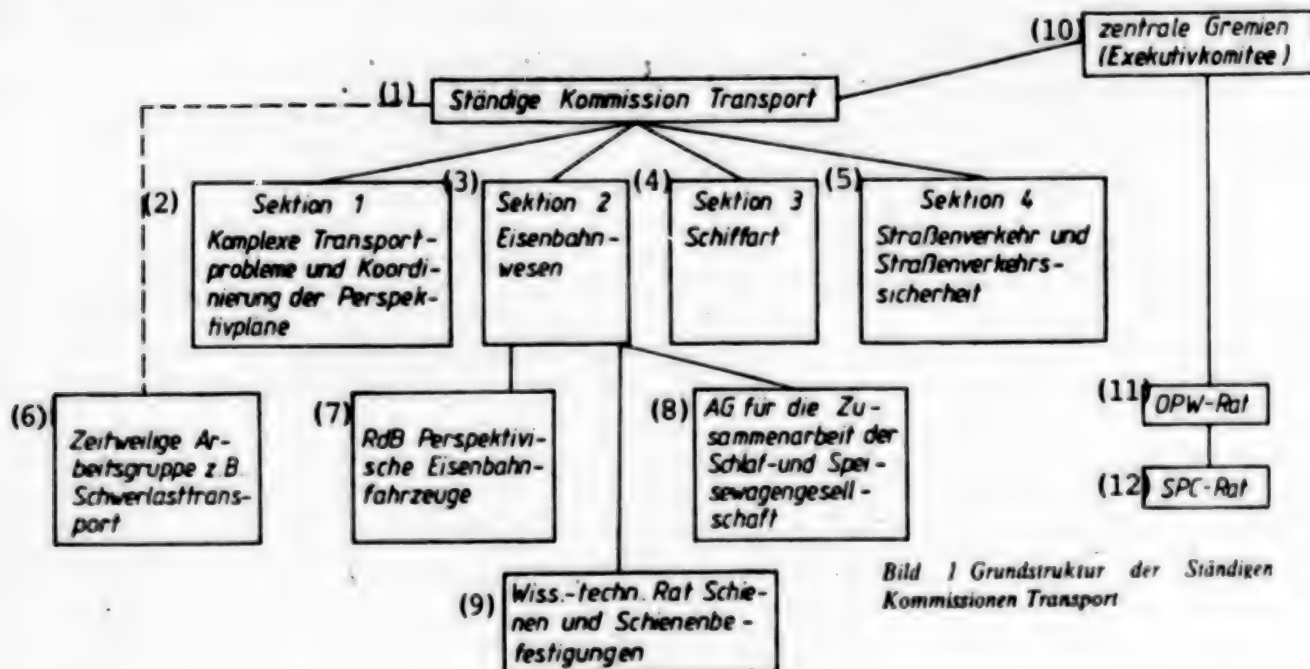


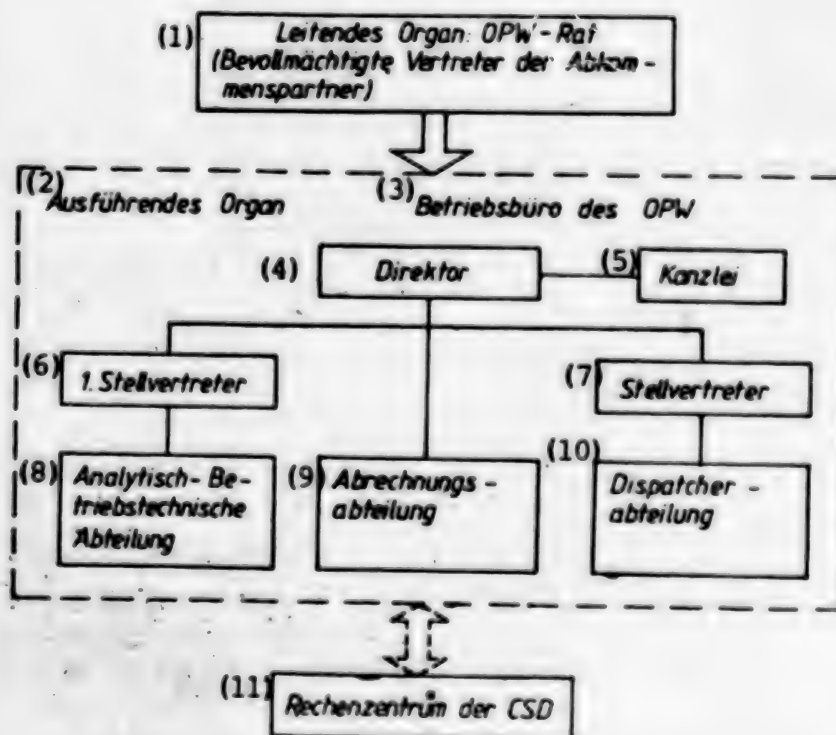
Bild 1 Grundstruktur der Ständigen Kommissionen Transport

Figure 1. Basic Structure of the Permanent Commissions for Transportation



**Key:**

1. Permanent Commission for Transportation
2. Section 1 Comprehensive Transportation Problems and Coordination of Future Plans
3. Section 2 Railroads
4. Section 3 Shipping
5. Section 4 Roads and Road Traffic Safety
6. Temporary Task Force, for example, for Transporting Heavy Loads
7. Bezirk Council for Future Railroad Vehicles
8. Task Force for Cooperation by the Sleeping and Dining Car Company
9. Scientific-technical Council for Rails and Rail Fastenings
10. Central Committees (Executive Committee)
11. OPW Council
12. SPC Council



**Figure 2. OPW Basic Structure**

**Key:**

1. Managing Organ: OPW Council (Authorized Representatives of the Partners to the Agreement)
2. Implementing Organ
3. OPW's Operations Office
4. Director
5. Office
6. First Deputy
7. Deputy
8. Analytical-operation-technical Department
9. Clearing Department
10. Dispatcher Department
11. CSD's Computer Center

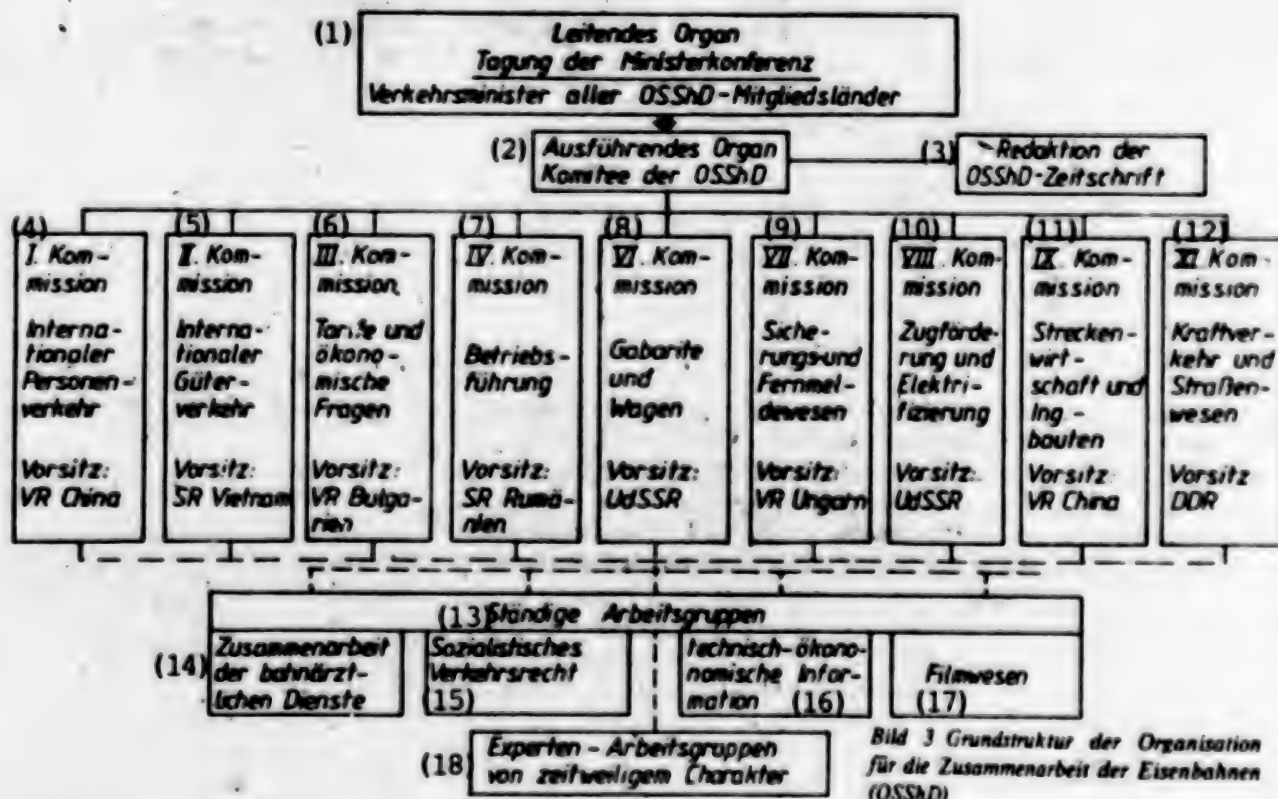


Bild 3 Grundstruktur der Organisation für die Zusammenarbeit der Eisenbahnen (OSSH D)

Figure 3. Basic Structure of the OSSH D

**Key:**

1. Managing Organ. Meeting of the Conference of Ministers. Ministers of Transportation of all OSShD Member Countries
2. Implementing Organ. Committee of the OSShD
3. Editorial Office of the OSShD Journal
4. 1st Commission. International Passenger Traffic. Presiding: PRC
5. 2nd Commission. International Freight Transportation. Presiding: Vietnam
6. 3rd Commission. Tariffs and Economic Questions. Presiding: Bulgaria
7. 4th Commission. Enterprise Management. Presiding: Romania
8. 6th Commission. Clearances and Rail Cars. Presiding: USSR
9. 7th Commission. Security and Telecommunications. Presiding: Hungary
10. 8th Commission. Locomotive Hauling and Electrification. Presiding: USSR
11. 9th Commission. Section Management and Engineering Structures. Presiding: PRC
12. 11th Commission. Vehicle Traffic and Roads. Presiding: GDR
13. Permanent Task Forces
14. Cooperation Among Railroad Medical Services
15. Socialist Traffic Legislation
16. Technical-economic Information
17. Filming
18. Experts--Temporary Task Forces

12124

CSO: 2300/493

ALBANIA

SHORTFALLS IN EXPORTS OF MINERALS CONTINUE IN KORGE, MIRDITE

Pledges Ignored in Rehove Copper Mine

Tirana ZERI I POPULLIT in Albanian 6 Jul 85 pp 1-2

[Article by Kostaq Duka: "Why Were the Pledges Forgotten in the Rehove Copper Mine"]

[Text] On 24 December of the past year the annual evaluation was made at the mining establishment in Rehove. Nuredin Nuredini, deputy-chairman of the Trade Unions in the copper ore extraction sector pledged in the name of the collective that by the end of 1985 they would produce 1,000 tons beyond their allotted task. For the 6-month period this pledge was forgotten.

The causes are subjective, primarily, serious breaches of labor discipline. In this sector alone 436 unjustified absences took place during the 6-month period, with over 1,000 for the enterprise. Irregularity has been the negative phenomenon here. With a final "Let's go, men!" they worked, especially in the second half of June, and somehow or other the allotted task was fulfilled. But for the 6-month period they should have produced without fail at least 500 tons of ore over the plan, so that the year's pledge would not remain merely on paper.

In that meeting the head of the refinery, Nesti Kundraxhiu, also spoke. He joined the comrades of his refinery in announcing that they would surpass by 1,000 tons their allotted task of refining copper ore. But what can he as a technologist say now, when as of 6 months there are altogether only two tons of concentrate over the plan?! "We have had defects at the plant," the enterprise director Xhemal Lavdari told us. But why should these occur? For no other reason than the lack of organization and management, where the cadres and specialists are not an example as they should be.

But let us continue further. The director of the enterprise, in an economic activ in the district taking place on 20 May 1985, said that by the end of the 6-month period they would fulfill all their allotted targets. He did not mention the pledges. In face of the trouble in fulfilling the plan, to seek its overfulfillment would appear just too much. For the word was out that up until 20 May the copper concentrate had fallen short by dozens of tons. There was serious doubt about making up this shortfall. But neither did the collective of the copper ore extraction sector give any assurance of the



fulfillment of its targets. In the refinery the defects continued, while in the ore extraction sector the unjustified absences continued. These weaknesses therefore jeopardized the plan first of all, and the pledges for sure.

Now that the 6-month period is completed the director says: "We did what we could and we fulfilled our allotted tasks, not only in copper ore, but also in the production of concentrate where concern was greatest.

But what about your pledges? Have you kept your given word?

There is no reason for these questions to sound surprising as they did sound. Keeping one's given word is a moral standard with us, and you cannot behave as you wish with it. True, an accounting is requested for the plan, but for goodness' sake when you pledge something beyond the plan, that ought to be evaluated just like every other allotted task.

"We are again optimistic that we shall fulfill the year's pledges which we have made." This was stated in the general meeting of the communists of the enterprise. These words contain one truth: that about the possibilities and reserves which are known, but which are not yet exploited. They will bear fruit and the word will be kept only when they get rid of this irregularity, when the comrades of the copper mining enterprise are confronted every day with the pledge as well as with the plan.

#### Deficiencies in Spac, Kurbnesh Mines

Tirana ZERI I POPULLIT in Albanian 7 Jul 85 pp 1-2

[Article by Pal Mehilli: "Everything Begins by Appraising the Task"]

[text] In the district People's Council on 6 February both Myslym Luska and Ndue Marku spoke, respectively, the director of the mine in Spac and of that in Kurbnesh. They pledged among other things, that step by step within 11 months they would eliminate the shortfalls in export. As of 6 months the district fulfilled only 68 percent of its allotted export obligations, and for this it was criticized even in the report of the Central Commission of Socialist Competitions. These two mines bear heavy responsibility for their nonfulfillment. They did not keep their word.

To be specific, many enterprises in the district have export allotments like the mines of Spac and Kurbnesh, such as the copper plant, the forestry enterprise, those collecting goods, and others. The copper plant has fulfilled its allotted tasks 175 percent, the NGP [Forestry Products Enterprise] has fulfilled its forestry allotment 133 percent. But the heavier responsibility is borne by Spac and Kurbnesh, which at the 6-month mark came up with their export targets unfulfilled. When you consider statistics and the reasons for the shortfalls, several problems emerge.

First of all, each individual does not have a proper appreciation of the export targets. The Kurbnesh mine fulfilled only 34.2 percent of its obligations. Do they possibly think here that there is still time by November to keep the

pledge given in the People's Council? Spac fulfilled only 75 percent of its obligation. Why does this occur? Basically, because of weaknesses in organization. It happens, for example, that the enrichment plants lacking sulfuric acid continue to refine ore to get the copper concentrate, regardless of the fact that they are not getting the iron sulfide concentrate, which is an article with export value.

Secondly, the regularity of transport, which often leaves much to be desired, creates headaches about the ore both at the mine and in the plant. "During the month of May," remarked Dode Legisi, head of the section for industry, "in order to eliminate this situation we organized an effort with the vehicles of the Mirdite park to move the iron sulfide concentrate, which brought a 25 percent overfulfillment of the targets for this month." But the effort did not continue, so that today there is a predicament with over 2,300 tons of iron sulfide ore. Another matter which may appear minor: In spite of the stipulations spelled out for the specialization of the vehicles which transport concentrate, the spillage along the road from the plant to the export stockpile is very great. This raises the question: Working like this, how do the accounts come out for the two contracting parties?

In the nonfulfillment of the export targets and pledges of the first 6-month period as it pertains to the enterprise of Spac, partly responsible is the failure of the construction yards of the NNI [Industrial Construction Enterprise] to put into operation the new sections of the enrichment plant of Reps, which had been planned to begin production as of 15 May. The question arises: Who drew up that plan?

These things speak of the need for greater care on the part of the economic organs of government, and also, of the producers and transporters in meeting the export allotments.

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CSO: 2100/53

ALBANIA

NEED FOR SELF-RELIANCE, ECONOMIZING STRESSED BY ISAI

Tirana ZERI I POPULLIT in Albanian 27 Jul 85 pp 3-4

[Article by Hekuran Isai: "Self-Reliance and Economizing"]

[Text] The principle of self-reliance lies at the foundation of the whole struggle we are making - in the economic sphere as well. As is well known, self-reliance is reliance on internal forces; it is the decisive factor in quantitative and qualitative change in the whole development of society. External factors are always secondary. The assistance and credits which we were given at various times in the past are minimal in comparison with what we created with our sweat and our economizing. In general, we have had and continue to have a correct conception of this matter and we have proceeded and will proceed in the future on this basis. Under present conditions, however, this principle takes on an even greater importance. It is also connected with the regimen of economizing - viewing this not in a narrow sense, as saving a few quintals of raw materials or electrical and fuel energy, but in the broader conception, as Lenin said, in terms of the fact that socialism is control of accounts, in the conception that this principle is applied and operates everywhere, in every sector of the economy and life of the country, in every labor collective and with respect to every individual. Self-reliance does not mean asking your friend for help without using your own mental and physical abilities well. Self-reliance does not mean that your squad asks for "help" from the brigade without utilizing your own possibilities, that your brigade asks for "help" from the enterprise or the cooperative and that your cooperative and enterprise ask for "help" from the district. It also happens that some districts, without utilizing their own reserves and possibilities well, ask for "help" from the government. We possess powerful socialist solidarity, but this solidarity must not be used to take undeserved or premature assistance from society. We have not utilized all the possibilities which our country has in this area. The more the economy develops, the more reserves are created and the more our people's knowledge develops with regard to the discovery and utilization of these reserves. Thus, the problem of economizing involves continual work and not campaigns.

Let us take, for example, the workers of an enterprise who are operating at a loss through their own fault. It cannot be said that there exists among these people a full understanding of the principle of self-reliance. The workers of this enterprise draw their salaries "on the basis of norms," like workers who operate with savings. In fact, this means that those workers whose

enterprise is operating at a loss are appropriating the work of workers who are operating with savings or the work and sweat which have been expended before by other workers and which lie in the state reserves.

The party must make the managers of enterprises which operate with unplanned losses conscious of the fact that it is not possible to proceed in this way. It must also educate and teach people that they should not simply look on, but should react and act against every fault and weakness and against every foreign manifestation. It is certainly not correct, for example, that when some workers are absent from work for no reason and the others are silent, or when the administration does not organize work well and does not make proper provisions, or again is not called to minute account for these weaknesses, or when the goods that the workers produce remain in stock and are not sold, or when the output is, in any case, misused and damaged, public opinion does not object forcefully against these foreign manifestations.

It is possible to rouse the party and the people in order to collect, for example, 30,000 tons of scrap iron, but this effort and sweat is wiped out and hidden simply by a planner who has not understood the problem of economizing and who, when he drafts a project, subtracts one line too much, adds another line or adds a piece of steel. The same is true for cement, bricks and lumber, when the planner increases the thickness of the concrete or wall from the required 30 cm to 40 cm, as was observed recently in the stables in Bushat, where only a comment was made and the planner said: "You are right, we can reduce them by 30 percent."

It is possible to rouse the great and the small and to undertake movements, initiatives and very strong technical and organizational measures for economizing. We can achieve savings of hundreds of millions of leks in material and monetary funds and these savings can wipe out, for example, five percent of the nonrealization of the chrome industry plan or they can wipe out non-realization of the plan in cotton, tobacco, etc. For that reason, a frontal realization of tasks of the plan in all its economic and financial indicators is also a major way of economizing.

We should pause more seriously and analyze more thoroughly the causes of overfulfillment of norms for many raw materials. We should also pause more seriously and see why the coefficient of useful capacity of steel is 60-65 percent in some factories and that of timber processing is around 50 percent. In more concrete terms, this means that if advanced norms, realized until now, were to be established everywhere, 30-40 percent of forests would not be cut down or would be exported or the production of furniture for the population would increase by 30-40 percent. The same holds true for iron and for many other materials.

We have great reserves in the fullest possible exploitation of existing production capacities. If we properly exploit these capacities and achieve an increase in industrial production for every lek of major funding, it will be possible to increase general industrial production by millions of leks, while also saving several tens of millions of leks in basic investments.



The process of economizing does not begin and should not begin only with the utilization of material values, but in their production. With regard to bread, for example, this process begins with sowing. "Have you ensured the number of crops?" "Was the sowing, irrigation and fertilization done in time?" If you do these well, the result will be great savings in bread, land, fuel, etc., etc. What sort of savings are made by some mountain districts when the effectiveness they obtain from one quintal of chemical fertilizer is only 0.2 quintals of corn instead of the 1.6 quintals per hectare which they should obtain? In many other plains districts as well, the effectiveness of chemical fertilizers is about 50 percent. If the average advanced effectiveness of fertilizers were achieved - as realized in many operations, this would be equivalent, so to speak, to having built a nitrogen plant or a new super-phosphate factory with half the capacity of existing factories.

We must devise better ways for the further exploitation or elimination of the many technological remnants which result, as well as the relatively large amounts of refuse which are observed in some sectors and economic enterprises. No remnants should be considered refuse, but ways must be found to convert them into use value. The Ministry of Light Industry and the Food Industry processes tens of thousands of tons of grapes per year. We dispose of the marc today, but with a simple line and a few additions of chemical elements, it is possible to convert it into a type of "nucleus" and food and oils, etc., can be extracted from it.

It is well known that quality, in essence, consists of savings. But quality is connected with the training of workers and control of production. Quality is also connected with the relations between personal interest and general interest, as well as with technical and organizational measures. But do we always consider and analyze this problem in this way?

Due to lack of a material, the light bulbs of Vlore burn for 300 hours out of 1,000 working hours. It is true that the citizen buys them and, to outward appearances, it seems as though this only burdens the citizen's expenditures. But in our country, personal consumption is linked to social consumption. Instead of one light bulb, the citizen buys three, but the state must import three times more basic raw materials because it must produce three times as many light bulbs, otherwise there are none on the market.

It is true that when a citizen consumes electrical energy, he pays for it himself. But we repeat that as much as possible should be saved and if it is saved, the state immediately transforms this energy into foreign currency by exporting it. In our country, personal savings or expenditures have a social character. If shoes are of good quality, a citizen, by wearing out one pair of shoes a year instead of two pair, economizes as an individual, but society also economizes because 50 percent of soles are not imported.

There are many complaints about difficulties with regard to transport. Work must be done to consider how to exploit the great reserves which we have in this sector as well. In useless vehicular movement in Elbasan alone, due to weakness in the small organization of work and for several other reasons, as much fuel is consumed as is needed by a nonproductive ministry for six months.

Vehicles travelled up to 16 kilometers for a distributor and had it supplied in Rrogozhine. For lack of a weighing machine in the Elbasan train station, the vehicles are loaded at this station and travel to a repair shop 6 kilometers away for weighing purposes. Fuel goes from Ballsh to Fier and then back again to supply the cooperatives of Mallakaster. Such problems also exist in the distribution of coal, construction materials, etc.

It is well known that the greatest quantity of matches is used by those who smoke. But a small battery-type lighter lights one million times - equivalent to 20,000 boxes of matches, while a flint lighter lights 1,000 times - equivalent to 20 boxes of matches. Batteries and flints can be changed as many times as one likes in a lighter. Is it not, then, more advantageous to produce lighters or to import them instead of importing nitroglycerine and consuming thousands of cubic meters of timber? Lighters could be bought with part of the money received for timber which can be exported.

The greatest savings are accomplished through work with people. People fulfill the plans, people make expenditures and people make savings. It is for the people that the party has made the greatest investments, which have borne fruit.

Our people are wonderful. They are characterized by proletarian simplicity, the spirit of sacrifice and self-denial, readiness and resolution to cast themselves even into fire for the party and the people. This is a lofty expression of trust in the party and its close connections with the people. This a colossal force, a force created by our invincible party and our indomitable people. All of us must utilize this readiness in a better manner, as a powerful weapon to fulfill every task, to surmount every obstacle and to overcome every difficulty.

In order to increase the socialist conscience of workers, the party has a large current and prospective general and concrete Marxist-Leninist, ideological and political program which it realizes by means of its instructions, resolutions and directives and by means of all the many forms and means of education through schools, the press, radio and television, films, theater, books, courses, meetings, etc. The task that has been assigned is to better utilize all these powerful forms and means and, especially, to strengthen still further the vital work with people, which is called working shoulder to shoulder with people, as Comrade Enver teaches us and as Comrade Ramiz also stresses when he says that "we must all reflect on and correct our links with the masses."

If we go to an economic enterprise or an agricultural cooperative, if we go to a ministry office, we are told about the plan, output, assortment, quality, raw materials, machinery, spare parts, etc., but little is said to us about what this or that cadre has done with people, what meetings he has had with them, what conversations he has developed, what problems they have raised and how he has resolved them, etc.

If everything is explained fully, technically and organizationally to workers and cooperativists, they not only understand the importance of the problem, but

also they are mobilized to accomplish the task. The people have a constant and great interest in the problems assigned by the party. For that reason, as Comrade Ramiz set the task, "the communists and cadres must combat indolence, hesitancy and reserve in order to come to grips with problems and work along with the masses."

It is true that the problems of management and organization of the economy become continually more complex; their complexity is not resolved, however, by increasing the number of people in management, but by the abilities of those who manage. The fact is that those who talk about increases of personnel and a lack of people are the ones who do not fulfill their tasks well. If we consider the problem from this viewpoint, we can see that savings can also be made in the area of personnel and that work can be done better with fewer people. But some comrade may ask me, "Do you have scientific studies to support this proposal?" In this case, this comrade can be answered, "What about you? On what scientific basis do you reject this proposal? On what scientific basis do you take this position?" This has happened in several ministries and institutes. We say that the number of documents has increased and it is confirmed that some of these are written only for internal use, in order to justify non-fulfillment of tasks and to leave the responsibility to someone else. Is it possible to decrease the number of useless documents? Of course - not with words, but by reducing the amount of supplies needed for letters by, say 30 percent and exporting them. Fine, but it is possible to say that bureaucracy is a question of world-outlook. This is true, but it must also be said that organizational and administrative measures either restrain or promote a world-outlook.

The most important savings are savings in working time. This means that in order to accomplish a task or resolve a problem, you must use a method and style which involves the shortest way and the greatest savings and you must accomplish the best results. The improvement of the work method of a forum or a cadre is the type of savings which does not require investment. Today, we have thousands of cadres and dozens of forums which use a revolutionary method and style of work. Everywhere that Teki Alia has been sent, he has achieved good results. Abdyl Cara is noted for his love of property and work. Tahir Minxhozi is an exemplar and a good educator. Ismail Ahmeti is a tenacious revolutionary. Thoma Merkuri is a researcher in technical and scientific discipline. Dhimiter Thanati has created improved forms for utilizing working time. The "Petro Papi" factory has placed every kilogram of metal refuse under control. The party committee and the party executive of the Elbasan District, and of many other districts, have found a work method for communication with the masses which also seems to have application in the fulfillment of tasks. The experience of such cadres, work centers and forums in our country must be generalized.

When I speak about these cadres or forums, I am not making a cult of them, but I believe that when a necessary material and technical base and a personnel supply appropriate to this level have been established, it is crucial that the role of the cadre should be linked with the measures and guided by the teachings of the party. Within this framework, every one of us must weigh the results of his own work in actual situations and in any opportunity for movement that can be made.

One of the major tasks of administrative cadres is the control of execution of tasks, resolutions and regulations that have been established. Why is there weak internal control of production and distribution in some cases in some cooperatives or enterprises? How is internal control to be understood in an enterprise where there are hundreds of workers and dozens of cadres and, at the same time, an auditor has to come from outside in order to uncover the faults and weaknesses in their work? How is it possible that these hundreds do not see things themselves and that one or two controllers sent by the office of finance reveal all those disturbing problems? Where is the control of the manager, the chief, the brigade leader, the accounts, the finances and the plan? Where are the worker control groups of the enterprise itself?

In the experimental workshop of the Tirana Porcelain Factory, the managers knew that 48 articles were not listed in any document, but the State Inspection Office was needed to put a stop to this abuse. In the mechanical plant of the "Steel of the party" metallurgical combine, the State Inspection Office revealed a shortage of 17 million leks from non-documentation of goods traffic, which burdens the budget income.

It is impossible to accept the fact that all those cadres and even the workers who work in a sector are unaware of the faults and weaknesses. Actually, they are not properly concerned about these faults and weaknesses; they have become accustomed to them. This attitude may be in the temporary interest of some individual, but it is not in the interest of society.

The 12th plenum of the party's Central Committee assigned as a task that this control should be further strengthened and management cadres in particular must reflect on these instructions in a comprehensive manner.

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CZECHOSLOVAKIA

AGRICULTURAL POLICY FOR FIVE-YEAR PLAN ANNOUNCED

Prague RUDE PRAVO in Czech 3 Sep 85 p 1

[Editorial: "A Significant Document of Agricultural Policy"]

[Text] It has been almost 4 years since the improved system of plant management began to be introduced in agriculture. The realization of all of its measures which were approved at the 4th Session of the Central Committee of the CPCZ in October 1981, together with several additional factors, have contributed to the fact that in the course of the 7th Five-Year Plan it was possible to renew the dynamics of agricultural production, to make progress in improving our self-sufficiency and, simultaneously, to adjust the economy and the income position of agricultural enterprises.

Nevertheless, agricultural results are heavily influenced by climatic conditions and by natural conditions in general, which makes it difficult to make an objective evaluation over the short term of several years with respect to the effectivity of individual measures of the improved system. Thus far, it has not been possible to find a method which would determine the extent to which the human factor and material inputs share in favorable results and per hectare yields and the extent to which they are the work of natural influences in a given year. That is why, at the time the system was being introduced, emphasis was placed on the principle of its openness and the need to further process its individual measures and components.

In recent days the Presidium of the Central Committee of the CPCZ and the Government of Czechoslovakia have discussed and approved a document entitled "Measures for the Development of the System of Managing the Agricultural-Food Industry Complex During the 8th Five-Year Plan." The measures become effective on 1 January of next year.

What is the content and the goal of this document?

It is concerned with the further strengthening of the independence and accountability of enterprises and the principles of their cost-accounting way of managing (chozraschotnost). Agricultural enterprises will have to manage still more efficiently, to attain higher quality and degrees of economy as is demanded by the transition to intensive forms of development.

The tasks of the agricultural-food industry complex during the second half of the 1980's--as determined by the 11th Session of the Central Committee of the CPCZ as well as by the discussions of the 10th Congress of the JZD--will become significantly more complicated than they have been hitherto. With respect to the majority of foodstuffs, the market is quantitatively saturated. Instead of a one-sided emphasis on the volume of production, its quantitative side, which is expressed in tons, liters, etc., it is necessary to direct enterprise activities in such a way as to make it possible for them to be able to more completely evaluate all sources joining agriculture. Simply said, people in the work process should keep a constant eye on production costs so as to enable them to "think in terms of korunas."

Such an approach to management is also reflected in better quality and better assortments of food products. However, simultaneously, it is necessary to create reserves, to eliminate economic instability of enterprises and, primarily, fully apply the knowledge gained by science and technology, which is the key to intensification. The system of planned management of the agricultural-food industry complex is also adapting to the above requirements.

In planning, the significance of the cumulative plan of the agricultural-food industry complex, including scientific and technical development, is being further deepened. The role and position of state components of economic planning in the planning process is changing. Economic organizations will be involved more than they have been thus far in arranging the structure of production and deliveries of agricultural products--on the basis of concluding economic agreements between enterprises of agricultural initial production and consumers of that production, who will be coresponsible for fulfilling the needs of society. State components of management will, of course, continue to work on the basic directions of development pertaining to the agricultural-food industry complex for mid-range and long-range periods and will continue to exert their influence. Similarly, they will keep for themselves the opportunities to assure the delivery of decisive agricultural products to the state, even through administrative forms, in the future. For purposes of the 8th Five-Year Plan such products are considered to be grain and slaughter animals (not counting poultry).

This is not a question of replacing the plan through economic contracts and, thus, leading to weakening its function, but rather that the starting point for the formation of enterprise plans will not be the directed tasks with respect to production and bulk buying but economic contracts between producer and consumer. In this way the accountability of consuming organizations for assuring the necessary raw materials and for meeting all-societal needs is supposed to be significantly increased. They are, generally, closer to the consumers and, therefore, are supposed to know the demands of people for assortments and quality of foodstuffs better and should be able to influence initial production accordingly. Conditions for unifying the interests of both partners--agricultural initial production and food processing organizations--for the betterment of fulfilling demands by society are thus created.

As far as economic instruments are concerned, the further limitation of state subsidies with respect to prices of some means of production are significant.

This way, for example, even the sales prices for which farmers buy the sources of production consumption are increased. This is particularly true of industrial fertilizers, fodder mixtures and dairy fodder residues. For example, 1 billion korunas of price subsidies for industrial fertilizers is being discontinued, causing their sales price to rise roughly by 14.6 percent. As is anticipated, this will lead to a substantially more rational management of this commodity. Funds which are thus liberated, however, will remain at the disposal of agriculture. They will be partially used to raise selected bulk purchase prices in the raising of cattle but primarily to strengthen the fund set aside for fertilizing the land, the fund for intensification, integration, for technical development, etc.

Apart from other provisions, comprehensive crop insurance, which will be mandatory for all agricultural enterprises, will be introduced. The goal is to eliminate the income instability of JZD's and state farms, to reduce their economic dependence on the annual deviations in the weather. Effective 1 January 1986 a system of the mutual relationship between the growth of wages and adjusted producer costs, which is already in effect in other production sectors of the national economy, will be introduced in agriculture.

In recent years there has been a certain shift in the thinking of people, a disinclination to engage in an extensive approach with respect to management. What is now at stake, in the further development of the improved system of management, can be expressed very succinctly and simply: the purpose of management is efficient management. This is naturally a matter of societal efficiency to which every enterprise must contribute with its share. What matters constantly is to gain more from each ar of land, from each animal, from each koruna expended for investment, wages, from each kilogram of fertilizer, fodder and from each unit of consumed energy. This means maximum production of quality products at minimum cost.

During the 8th Five-Year Plan the demands for better work on the part of state management organs, particularly kraj and okres agricultural directorates, will be increased. They are expected to desist from superfluous administrative interventions into operational production activities but will, on the other hand, more deeply penetrate into economic enterprises, seek ways of increasing the levels of their intraenterprise management and the more speedy application of the experiences of science and technology into practice.

It is natural that the success of each measure to improve the system of planned management depends on many factors. The success with which it will be possible to accomplish the course of intensive development of our economy will be decided primarily by the moral strength of socialist society, its members, managers, leading workers and entire collectives.

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4 October 1985

## CZECHOSLOVAKIA

## BRIEFS

**NUCLEAR POWER PLANT UNIT TRIAL**—Prague, 17 Sep (CTK)—The second unit of the V-2 nuclear power plant at Jaslovske Bohunice, West Slovakia, went into trial operation today after 144 hours of comprehensive testing which proved that all work had been done in the required quality guaranteeing reliability. The unit was put into the trial run in a ceremony attended by Federal Minister of Metallurgy and Heavy Engineering Eduard Saul and managers from organizations involved in the construction. The new unit will supply some 140 million kWh. Its completion came at the end of a more than 20-year period of the construction of the nuclear power generation compound at Jaslovske Bohunice, but not at the end of the Czechoslovak nuclear power plant program. The building of the Dukovany plant is well underway, the Mochovce plant construction has started, and the building of the Temelin plant is being prepared. [Text] [Prague CTK in English 1756 GMT 17 Sep 85 LD]

**TEXTILE PLANT FOR MOZAMBIQUE**—The Elitex Liberec concern, together with the Strojimport foreign trade enterprise, have handed over to their Mozambican partners in Maputo a knitting factory for hosiery products. The factory, the equipment of which was supplied by the Elitex Trebic enterprise and other Czechoslovak manufacturers, will produce about 5 million pairs of socks a year. [Summary] [Prague RUDE PRAVO in Czech 4 Sep 85 p 6 AU]

**CZECH HARVEST ESTIMATES**—This year's results in plant production in the Czech Socialist Republic promise to be a good point of departure for the next 5-year plan. Although cereal crops remain to be harvested from almost 85,000 hectares, or 5.4 percent of the area of cultivation, everything suggests that the planned cereal production will be fulfilled by all regions in the Czech Socialist Republic, with the exception of North Bohemia. South Moravia with average per-hectare yields of 5.13 metric tons appears to have been the most successful region this year. Grain corn, which will be harvested from 54,700 hectares, is in a "good condition" and the fulfillment of the planned production of 125,000 metric tons is expected. Average per-hectare yields of silage corn are estimated at 38-39 metric tons, compared with last year's 33.6 metric tons. "Relatively high" per-hectare yields are expected in potatoes; the harvest is expected to amount to 2,650,000 metric tons. The sugar beet harvest in the Czech Socialist Republic is expected to amount to 3,650,000 metric tons. A good harvest is also expected by flax-growers; flax remains to be harvested from 1,460 hectares, which is about 6 percent of the area of cultivation in the Czech Socialist Republic. [Summary] [Prague ZEMEDEL'SKE NOVINY in Czech 11 Sep 85 p 1 AU]



**SUGAR BEET HARVEST ESTIMATES**—The results of crop tests promise the fulfillment or slight overfulfillment of the planned procurement of sugar beets in the Czech Socialist Republic this year. The roots' average weight is now about 15 percent higher than it was at the same time last year. However, the beets' sugar content averages only 11.69 percent, compared with 13 to 14 percent in neighboring advanced sugar-beet-growing states. The sugar content is lower than it was last year and it is also lower than the average for the past 10 years. Given favorable weather in September, however, the sugar content could increase to about 14.8 percent by the time of the harvest, which--according to A. Novotny, general director of the sugar industry concern in Prague--"would suffice to meet the planned sugar production." [Summary] [Prague ZEMEDEL'SKE NOVINY in Czech 4 Sep 85 p 4 AU]

**SUGAR BEET HARVEST VIEWED** -According to Engineer Bartolomej Sedlak, director of the plant breeding and selection station for roots crops and industrial crops at Bucany, the sugar beet crops in Slovakia "looks promising" and Slovak farmers expect to reap the planned average of 37.5 metric tons from each hectare. This is more than in 1984 when per-hectare yields averaged 35.5 metric tons and in 1983 when they averaged 29.2 metric tons. In the first 4 years of the current 5-year plan, Slovak sugar-beet growers fell short of the plan by a total of 1.8 million metric tons. [Summary] [Bratislava ROLNICKE NOVINY in Slovak 11 Sep 85 pp 1, 2 AU]

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GERMAN DEMOCRATIC REPUBLIC

DIW MID-YEAR ASSESSMENT OF 1985 ECONOMIC PERFORMANCE

West Berlin DIW WOCHENBERICHT in German No 32, Aug 85 pp 355-61

[Text] According to the national economic plan, and data by the Central State Administration for Statistics reporting on its implementation during the first half of 1985<sup>1</sup>, the following development has taken place regarding important indices (increases in percent compared to the same period of last year):

	Annual Plan 1985	Actual First Half of 1985
National Income Produced	4.4	4.1
Industrial Goods Production		
Total Economy	3.8	4.4
In the Area of Industries Ministries	4.3	4.4
Net Production (in the area of industries ministries)	8.0	8.0
Retail Volume	4.0	4
Foreign Trade Volume	8.0	5*

\* Computed from data on export increases (+ 4 percent) and foreign trade balance (+ 2 billion VM).

Since there are 2 fewer working days in the first half of 1985 than during the same period of the previous year, the proportionate share of the plan for production growth was probably attained in the first 6 months. In view of the long and cold winter of 1984/85, this would be a remarkable achievement.

Weather conditions created great problems, in particular for the energy-producing industry and the transport system. In contrast to 1979, greater shortfalls in these two sectors, and consequences for total production, were prevented. It was recently reported<sup>2</sup> that "measures taken by the Politburo due to Honecker's initiative" had contributed to this fact. One of those measures is probably increased imports of energy raw materials. In inner-German trade, about 270,000 tons of bituminous coal were imported from the FRG during the first 3 months; such purchases are made irregularly in order to fill unforeseen energy gaps. For the first time, even heating oil was imported. Bituminous coke purchases also increased. At the same time, 20,000 additional workers,

mostly soldiers, were employed in the domestic energy and transport industries. After this experience, it was noted critically that the performance capacity of coal production and transportation would have to be increased, and that timely stockpiling would have to be carried out with even greater precision.

According to the report on implementation of the national economic plan, economic growth continued to take place while lowering specific consumption of raw materials and other materials. Total economic growth was about 4 percent, while production consumption (= use of raw materials and primary products, depreciation) increased by only 2 percent.

Specific consumption of material and energy in the total economy has been lowered since 1981. But this is only seen as the beginning of a further necessary development. One basic task is to reduce energy consumption to the "international, progressive level." Energy conversion and distribution, for instance, are to be improved. According to statements by economic leaders, reserves are large, and too much material and energy are still being consumed. Honecker cited figures, comparing them with "international optimum values" <sup>3</sup>: in the case of some GDR products, there exists the technical possibility of reducing weight by 20 to 40 percent. Similar figures also exist for reducing the specific energy consumption of electric machines and equipment. In addition to technical reserves for savings, organizational reserves are also listed: greater continuity in production and sales, and cost lowering for spoilage and refinishing work.

Research and development, and their industrial application, have become a key element for improved efficiency and growth in general. Results and new demands upon this sector are given ever more emphasis in reports and discussions. At a seminar for the party and economic leadership in March 1985 it was stressed <sup>4</sup> that scientific-technical achievements in all combines would have to become "much more plentiful." Orientation toward international standards and attainment of higher economic results were called for. Recently, new emphasis was placed on cooperation between combines and the Academy of Sciences. It is still a matter of principle that research and development relating to practice is to be carried out in the combines, while long-term basic research will be done at the Academy of Sciences and in technical institutes. Cooperation among them is to be intensified. This includes economic agreements between the institutions, provision of investments, and an exchange of experts. In future, the Academy and technical institutes are to finance a greater part of basic research through economic agreements with the combines.

#### Development in Industry

The report on plan implementation lists the following important indices for centrally managed industries (in the area of industries ministries): industrial goods production (+ 4.4 percent), net production (+ 8.0 percent), production of finished goods for the population (+ 4.8 percent). Since 1984, the major indices for judging the performance of industrial combines are: net production, net profit, products and services for the population, and export. In addition, industrial goods production is considered an index of the total economy.

In the report on plan implementation, no data are given for net profit and export. But there are reports on successes in lowering prime costs (- 2 percent) and target advances (1.3 production days in industrial goods production). The not very expressive "degree of production renewal" was 24 percent.

The connection between industrial goods production (gross production) and net production, and the problem of the index "net production" have already been described in these pages <sup>5</sup>. The difference between the growth rates of gross and net production must be attributed to the high share of "production consumption" (consumption of materials, depreciations). At present, it must be estimated at 63 percent, which computes as follows:

	Share	Increase
Industrial goods production	100	104.4
Net production	37	108.0
Production consumption	63	102.3

Production consumption therefore has only risen by 2 percent (= 2 percent drop of specific consumption). In judging the high growth rate of net production, one must take into consideration that it reflects not only a real increase, but also price rises.

The growth attained in GDR industry in recent years has been continued with + 4 percent. This growth rate is especially noteworthy since the first half of 1985 had 2 fewer work days than the same period of the previous year. However, in March the combines had pledged to achieve a new production beyond the target equivalent to 3 days' output. According to the report on plan implementation, this was achieved by over 80 percent during the first half of the year.

The report on plan implementation provides proof of the development of gross and net production in some branches of industry. Furthermore, the monthly reporting of the UN European Economic Commission (ECE) can also be drawn upon, <sup>6</sup>, which at present is available up to April. The plan implementation report also lists production increases for a few selected products. However, the number of these products has again been reduced, to 30 as compared to 36 in the previous year. It is noteworthy individually that in those selected products the development during the first half of the year was almost generally weaker than in the preceding year. Only products of the micro-electronics sector (switching circuits, equipment for supervision, adjustment and control, micro-calculators) show particularly high growth rates.

There are other indicators of industrial development:

--As before, emphasis is on the coal and energy sectors. The extraction of crude lignite, coal processing and the production of town gas was higher than targeted in the plan.

--Conversion to domestic energy sources influences the entire production process. Continuation of the railroad's electrification program brought about



high growth rates in electro-technology (contact lines, signal and safety techniques). In machine building, there was increased production of equipment for energy source conversion, such as strip mining and dust removal installations.

--With a growth rate of + 11 percent, the sector of electro-technology, electronics and equipment construction is again at the top of development. Promotion of micro-electronics, practiced for years, continues unabated. It has been learned that more factories are to be established in this sector. There was also a high production increase in color TV tubes. In 1984, a new manufacturing site started production in the plant for TV electronics in Berlin. The factory, built by a Japanese firm, has an annual capacity of 600,000 units. By the end of May, about 350,000 TV tubes had been produced.

--In machine building, a growth rate of 6 percent of gross production is listed. Especially high production increases are reported for shipbuilding, which works primarily for exports to the Soviet Union. There were also noticeable growth rates--exceeding the planned targets--in the other sectors of machine production.

--For the third year in a row, growth in the chemical industry only reached about 3 percent (5-year plan target: 6 percent). Adaptation to domestic raw materials poses great problems. Investments for restructuring capacities toward a higher processing degree of raw materials employed apparently do not yet show results.

--Recently, the importance of light industry as a supplier of the population has been highlighted. But scarcity of investment funds and raw materials (such as cotton) clearly leave their mark and allow only relatively low growth rates (3 percent).

The report on plan implementation devotes much space to the "production of finished goods for the population." Particular emphasis is placed on the performance of enterprises whose production program consists mainly of producer goods. The production of consumer goods in these plants, also, has been propagated since the 1970's. At the 7th session of the SED Central Committee in November 1983, this campaign was resumed with great fanfare. At that time, a general guideline was established that, by 1985, in the combines making producer goods, 5 percent of production should be consumer goods. Meanwhile, the combines have not only specialized individual departments for consumer goods production, but have restructured entire factories to this end. An important effect of additional production of consumer goods consists in better utilization of materials (use of left-over material), machinery (utilization of related production technology), and know-how. Furthermore, workers, whose jobs were eliminated through efficiency drives, can continue their employment in the combine. In principle, this adds to the insufficient supply of consumer goods. But the general call for a share of 5 percent probably does not always lead to meaningful product lines. The positive examples in the report on plan implementation are surely the exception to the rule.

## Construction Industry

In the construction business, gross production (+ 4.4 percent) and net production (+ 9.3 percent) were higher than the target plans for 1985 (3.4 percent and 6.4 percent, respectively). The specific consumption of rolled steel (- 7 percent) and cement (- 6 percent) has been lowered according to plan. The structure of building production has further changed toward modernization and reconstruction. In new housing construction, 55,647 apartments were completed, 47,087 were modernized. East Berlin is a major center of construction activity, where new apartment buildings, modernization of existing ones, and reconstruction of cultural-historical buildings, communal and traffic installations are particularly noticeable.

Targets for further construction development were recently established <sup>7</sup>. For the 5-year planning period 1986-1990, an average annual growth of 3.5 percent was targeted for building production. The increase in net production was set higher (5.4 to 5.7 percent), i.e., substantial savings in advance work is being sought:

--Specific use of materials is to be lowered; rolled steel by 6.9 percent annually, sawn timber by 4 percent, cement by 5 percent. By 1990, this would lower production consumption by 7.5 percent.

--The construction share of investments is to be further reduced; in industry, it is to be lowered from a present 25 percent to 20-22 percent by 1990.

--Construction time is to be shortened by 15 percent in new construction, 20 percent in repair and modernization work, and 25 percent in public works and foundation work.

--Between 1986 and 1990, the equivalent of 4 million tons of crude lignite coal is to be saved through thermal insulation and electronically controlled heating systems.

In these cases, also, technology is to contribute to cost lowering (for instance, automation in monolithic concrete construction, shifting of construction site processes to prefabrication of entire building components, modernization of machinery, greater use of control and regulating technology). By 1990, an average annual increase of 8 percent is targeted for efficiency measures developed within the construction industry itself.

In order to fulfill the goals of the long-term housing construction program, more than a million apartments will have to be finished within the next 5 years, 600,000 of them new constructions. Half of them are to be constructed in inner-city locations, preference being given to Berlin (in 1986 alone, 24,000 new apartments are to be built there). Repair and modernization work is to be increased by 7 percent annually during the next 5 years.

## ...and Agriculture

The economic success of agriculture during the first half of the year can only be judged by "animal performance." According to the report on plan implementation, the state target--with an increase of 5 percent--was overachieved in

all sections. The size of animal herds has remained about the same. It is being stressed in particular that there were improvements in fodder economy.

In order to do away with the coordination problems between the two production sectors, which arose after separating plant and animal production, much attention has been given recently to cooperation between specialized enterprises. "Cooperation councils" are seen as the proper instrument for effective cooperation. On 13 June 1985, the Council of Ministers passed the "model cooperation agreement for cooperation between agricultural producer cooperatives and state farms" as a guideline<sup>8</sup>.

Cooperation is to be based on the law for agricultural producer cooperatives of 2 July 1982. Although the cooperation council is given managerial economic functions, the agricultural producer cooperatives and state farms continue as the "basic units of agricultural production." Their legal autonomy and economic self-responsibility is to be preserved. They will retain their own operation plans and their own work unit system; they can enter into economic agreements and produce their own economic results. On the basis of Article 12 of the Law on agricultural producer cooperatives, the partners transfer certain rights and obligations to the cooperation council for the implementation of joint measures. The members of the cooperation council are elected for a period of 3 years by the plenums of their agricultural producer cooperatives; the members coming from state farms are appointed by the director. Decisions have to be unanimous to be passed. Individual operations plans will be defended before the cooperation council. After the decisions made in the enterprises, the council then decides on the formation and use of joint funds. Such funds can be established for investments, for reserves, and for stimulating performance. Among other things, the cooperation council works out delivery and performance conditions for fodder and organic fertilizer; it is also in charge of deciding on agreed prices for fodder and fertilizers.

#### Use of National Income

During the first half of 1985, the population's supply has stabilized. Net monetary intake rose by almost 3 percent. Part of this increase was due to raising by 10 percent the minimum social security pension rates, coming into effect in December 1984. During the first half of 1985, social pension expenditures rose by 400 million Marks. Accordingly, income from gainful activity was somewhat lower, estimated at a little over 2 percent. Retail volume increased by almost 4 percent; there was an increase of 3 percent in foodstuffs and luxury foods, and 5 percent in industrial goods. Even if price increases cannot be excluded in the area of industrial goods, the situation of the consumer has improved in the GDR.

On the other hand, a restrictive policy is being continued in the investment sector. At current prices, investments of the national economy are listed as 25 billion Marks, somewhat higher than in the first half of 1984 (24 billion Marks). But computed at 1980 prices, this means stagnation at best. Overall, investment activity in the GDR has dropped steadily since 1981. Industry, however, was less affected by this development.



So far, no fundamental turnaround in investment policy can be seen. Rather, it was pointed out recently that the selection of investment projects "will be even stricter in future." On 1 September 1985, new regulations on investment preparations will come into force<sup>9</sup>. Investment planning, already heavily regulated, will be made even tighter. Similar to the old regulation, important prerequisites for making investments are greater efficiency, cutting back on the labor force, and use of the latest technology. The powers of the state control authorities were regulated in greater detail and expanded (Central State Inspection for Investments of the State Planning Commission, expert advisory positions of the bezirk councils). Every investment project must be justified in detail according to the aforementioned criteria. The state experts have to examine whether the investment is at all necessary, and whether the goal could not also be achieved through modernization and greater efficiency of existing capacities.

Meanwhile, the announced change in the law on production fund taxes (tax on fixed and current assets) is now on hand<sup>10</sup>. As of 1986, this tax is no longer levied on gross value, but on the net worth of fixed assets (cost price ./. depreciations). This means a lower burden on older installations than before and stimulates longer use and modernization of existing capacities. Until now, the tax rate was 6 percent on fixed and current assets; in the future, it will be established for fixed assets in the respective national economic plan.

The security of investment funds is to be mitigated through better use of what is available. This means especially fuller use of shifts. Every investment and modernization must go hand in hand with fuller use of shifts. During the first half of 1984, the time during which production installations were used was an average of 16.5 hours per calendar day (1984: 16.2 hours). According to the targets in the national economic plan for 1985, this is to increase to 17.5 hours.

#### Aspects of Foreign Trade

On the subject of foreign trade, the report on plan implementation cites an increase in exports of 4 percent and an active trade balance of 2 billion Valuta Marks. On the basis of ECE statistics for the first half of 1984 (sic), this means an increase in imports of 6 percent. The national economic plan had targeted an increase of 8 percent in foreign trade volume (exports plus imports).

Details on foreign trade developments are sparse in the report on plan implementation. The only additional information given is the increase of exports to the socialist economic area (+ 4 percent), the Soviet Union (+ 4.5 percent), and the fact that export surpluses were achieved vis-a-vis the socialist and non-socialist economic areas.

The statistics of partner countries--which in most cases are available for the first 3 months only--show a very diverse picture. In the case of the Soviet Union, weak foreign trade development is confirmed. Unusually high growth rates occurred in trade with the People's Republic of Poland, possibly caused by purchases of bituminous coal during the first 3 months.



In trade with the West, there was again a clear split between inner-German trade and trade with the other OECD countries. Available data show the continuation of a very cautious GDR trade policy toward other OECD countries. As early as 1984, only moderate growth in imports and exports was noted. Compared to the previous year, the first months of 1985 show only negative values. The greater part of the downward trend in foreign trade, according to partner country figures (OECD statistics, dollar base), must be attributed to the development of the value of the dollar during the first 3 months of 1985. Even adjusting these effects, compared to the preceding year there is still a significant drop in GDR imports (about 25 percent), and stagnation in exports. After such an adjustment, even countries for which the report on plan implementation expressly stresses "intensified trade relations" (France, Great Britain, Austria, Sweden), showed a significant drop in foreign trade volume with the GDR during the first 3 months.

In principle, there is no need for a restrictive trade policy with the West. Investment goods and previous work from Western countries could only be advantageous for the economic development of the GDR; financing difficulties no longer play a part. In the meantime, the GDR has its own large reserves with Western banks and is considered a good debtor on the Euromarket. Two large credits in the first half of 1985 had generally favorable conditions (interest rate and life of the loan). However, the shortness of the period under review, and statistical problems in foreign trade reporting in general, make a definite judgment of these trends impossible.

In inner-German trade, the situation has changed compared to 1984. In 1984, the GDR had a great surplus in the goods trade, reflecting declining FRG deliveries and rising FRG purchases. During the first half of 1985, FRG deliveries rose by about 20 percent; purchases have stagnated. This resulted in an almost even goods balance.

On 5 July 1985, the new regulation on the swing in inner-German trade was signed. Accordingly, the current account credit without interest, still amounting to DM 600 million in 1985, will rise to DM 850 million as of 1 January 1986. The agreement has a life of 5 years.

## Outlook

The entire economic activity of the GDR--production, use and foreign trade--appears to be in a "waiting phase" until the goals of the new 5-year plan for 1986-1990 have been formulated. Meanwhile, the "orientation figures" for this plan have been given to the ministers, general managers of the combines, and the chairmen of bezirk councils. Drafts for the 5-year plan are to be elaborated there by August. Probably nothing will change regarding the fundamental ideas, i.e., growth through intensification. But it will be interesting to see what basic lines have been developed, particularly regarding investment policy. The 5-year plan period coming to an end was characterized by concentration on what was available: use of domestic resources, modernization of existing installations. This also brought greater stress on the environment and a deterioration of the degree of effect. Technical progress can only be achieved to a limited extent through reconstruction of old

installations. A long-term growth strategy, also taking the environment into account, demands the return to an expansive investment policy.

#### FOOTNOTES

1. NEUES DEUTSCHLAND of 13/14 July 1985, p 3 ff.
2. From the Politburo report to the 10th meeting of the SED Central Committee. Reporter: Joachim Herrmann, in NEUES DEUTSCHLAND of 21 June 1985, p 6 ff.
3. Erich Honecker: Preparing for the 11th SED Party Congress. Tenth session of the SED Central Committee, op. cit., p 3 ff.
4. From Guenter Mittag's paper: To prepare for the 11th Party Congress through highest achievements. SED Central Committee seminar with the general managers of combines and Central Committee party organizers on 7 March 1985 in Leipzig. East Berlin 1985, p 19 ff.
5. Improved Supply--but Investment Drop. The Situation of GDR Economy at the turn of 1984/85. Editor: Doris Cornelsen. In: WOCHENBERICHT DES DIW. Nr. 5/1985, p 53 ff.
6. Compare Statistical indicators of short term economic changes in ECE countries. Geneva.
7. Compare Wolfgang Junker (Minister for Construction Industry): A matter of honor for all construction workers: the best for the 11th SED Party Congress. Paper given at the 8th farmers' conference. In: NEUES DEUTSCHLAND, 14 June 1985, p 3 ff.
8. NEUE DEUTSCHE BAUERNZEITUNG, Nr. 25, 21 June 1985, p 12 ff.
9. Compare Order on Investment Preparation. In: GB1. der DDR. Part I/1985, p 197 ff.--Second Implementing Regulation to the Order on Investment Preparation--State Examination of Investments--. In: GV1. der DDR. Part I/1985, p 205 ff. The law on preparation of housing construction investments, passed in 1978, is considered the first implementing regulation (GB1. der DDR. Part I/1985, p 260 ff).
10. Order on production fund tax. In: GB1. der DDR. Part I/1985, p 157 f.

Table I: Industrial Goods Production <sup>1</sup>  
Growth compared to previous year, in percent

Table I: Industrielle Warenproduktion<sup>1</sup>  
Zuwachs gegenüber der Vorjahreszeit in %

	Year Jahr		Jan. - April		
	1983	1984	1983	1984	1985
Energie- und Brennstoffindustrie (1)	3.9	4.6	3.1	6.3	3.4
Chemische Industrie (2)	2.9	4.0	4.0	2.7	2.9
Metallurgie (3)	3.0	3.0	3.6	2.7	2.9
Baumaterialienindustrie (4)	0.4	2.1	0	3.1	-0.8
Wasserwirtschaft (5)	-0.4	-0.4	2.2	3.6	-2.8
Maschinen- und Fahrzeugbau (6)	3.8	4.0	3.0	4.5	4.5
Elektrotechnik, Elektronik, Gerätebau (7)	8.7	9.4	7.0	9.0	11.2
Leichtindustrie (8)	2.5	3.4	1.9	4.2	3.6
Textilindustrie (9)	3.3	2.9	2.3	3.7	1.8
Lebensmittelindustrie (10)	3.6	3.5	2.2	6.2	3.1
Gesamte Industrie (11)	3.9	4.3	3.2	5.1	3.0
<sup>1</sup> Von den offiziellen — arbeitstäglich bereinigten — auf Ursprungsdaten zurückgerechnet					
Quelle: Statistical indicators of short term economic changes in ECE countries. Economic Commission for Europe, Genf					

Key:

- |                                    |  |
|------------------------------------|--|
| 1. Energy and fuel industry        | 7. Electro-technology, electronics, equipment industry |
| 2. Chemical industry               | 8. Light industry                                      |
| 3. Metallurgy                      | 9. Textile industry                                    |
| 4. Construction material industry  | 10. Foodstuffs industry                                |
| 5. Water supply and regulation     | 11. Total industry                                     |
| 6. Machine and automotive industry |  |

<sup>1</sup> Computed back to original data from official data, adjusted by work days.

Source: Statistical indicators of short term economic changes in ECE countries. Economic Commission for Europe, Geneva.

Table II. Indicators of Economic Development in the GDR  
Growth compared to previous year, in percent

Table II: Indikatoren zur Wirtschaftsentwicklung in der DDR  
Zuwachs gegenüber der Vorjahreszeit in %

		1983		1984		1985	
		1. Halbj.	Jahr	1. Halbj.	Jahr <sup>1</sup>	1. Halbj.	Jahr
		(1)	(2)	Ist (3)		(4)	Plan
(4)	Produziertes Nationaleinkommen	4	4.4	5.1	5.5	4.1	4.4
(5)	Industrie						
	Warenproduktion						
	im Bereich der Industrieministerien: (6)						
	Warenproduktion (7)	4.4	3.9	3.8	4.3	4.4	3.8
	Nettoproduktion (8)	4.5	4.6	4.3	4.5	4.4	4.3
	Arbeitsproduktivität (9)	6.2	7.1	8.0	8.5	8.0	8.0
	(Basis Nettopr.) (10)	5.3	5.8	7.2	7.7	7.3	7.1
(11)	Bauwirtschaft						
	Bauproduktion der Volkswirtschaft (12)	3.1	3.1	3.2	2.5	4.4	3.4
	Nettoproduktion im Bereich des Ministeriums für Bauwesen (13)	7.8	10.2	8.8	7.7	9.3	6.4
(14)	Fertiggestellte Wohnungen	96.0	197.2	101.4	207.0	102.7	203.1
	davon: Neubau (15)	59.8	122.8	59.0	121.7	55.6	117.6
	Modernisierung (16)	36.2	74.6	42.4	85.4	47.1	85.6
	in 1000 Wohnungen (17)						
(18)	Landwirtschaft (19)						
	Viehbestand <sup>5</sup> (20)	2.0	3.0	2.5	1.6	0	
	Tierrische Marktproduktion <sup>6</sup> (21)	2.0	2.7	6.9	6.5	5	0.6
(21)	Binnenverkehr <sup>7</sup>						
	Gütertransportmenge (22)	-2.3	-2.2	-1.6	-1.0	-1.2	
	dar.: Eisenbahn (23)	3	1.0	2	3.7	3.6	
	Binnenschifffahrt (24)	16	3.8	5	5.7	-5	
	Straßenverkehr (25)	-10	-3.9	-4	-4.1	-3.8	
	Gütertransportleistung (26)	-1	-0.3	-1.8	0.6	4	
	dar.: Eisenbahn (27)	1	1.6	1.9	3.2	6.8	2.9
	Binnenschifffahrt (28)	2	5.9	2.6	10	-3	8.7
	Straßenverkehr (29)	-10	-5.3	-10	-9	-6	
(30)	Einzelhandel, Umsatz gesamt <sup>8</sup>	0.1	0.7	4.5	4.1	4	4.0
	davon: Nahrungs- und Genußmittel (31)	6.0	1.6	3.7	3.2	3	
	Industriewaren (32)	-6.0	-0.1	5.2	5.0	5	
	Außenhandel, Umsatz gesamt <sup>9</sup> (33)	14.8	10.6	10.0	8.4	5.2	8.0
	davon: Einfuhr (34)	14.6	9.0	8.8	9.6	6.4	
	Ausfuhr (35)	14.9	12.0	11.2	7.3	4	
	Saldo (in Mrd. Valuta-Mark) (36)	+1.7	+8.0	+2.9	+6.9	+2.0	
(37)	Nettogeldeinnahmen der Bevölkerung	2	2.2	3.2	3.9	3	4.0
	Investitionen, insgesamt <sup>11</sup> (38)	0.1	-0.0	-3.5	-4.9	1	0

<sup>1</sup> Vorläufige Angaben, z.T. geschätzt — <sup>2</sup> f. rechnet aus monatlichen Indexangaben; tatsächliches Ist, d.h. unter Rückrechnung der offiziellen — arbeitstäglich bereinigten — Angaben. — <sup>3</sup> Aus Indexangaben errechnet. — <sup>4</sup> Im Bereich des Ministeriums für Bauwesen. — <sup>5</sup> Auf der Basis des Großvieheinheiten-Schlüssels der DDR; Stichtagsangaben per 31.5. bzw. Jahresende. — <sup>6</sup> Summe des staatlichen Aufkommens an Schlachtvieh, Milch, Eiern und Wolle; bewertet nach dem Getreideeinheiten-Schlüssel der DDR. — <sup>7</sup> Mengenmäßige Planung. — <sup>8</sup> Ohne See- und Luftverkehr; Halbjahresangaben, z.T. geschätzt. — <sup>9</sup> Jeweilige Preise. — <sup>10</sup> Einschließlich innerdeutscher Handel. — <sup>11</sup> Ohne Generalreparaturen; zu Preisen des Jahres 1980 — <sup>12</sup> Der geplante Investitionsumfang von 56 Mrd. M erreicht — zu konstanten Preisen umgerechnet — vermutlich knapp die Höhe des Volumens von 1984 (50,5 Mrd. M).

Quellen: Statistisches Jahrbuch der DDR 1984; Statistical indicators of short term economic changes in ECE countries, Genf; Volkswirtschaftspläne (zuletzt: GBl. der DDR, Teil I/1984, Nr. 32); Planerfüllungsberichte (zuletzt: Neues Deutschland vom 19./20. Januar 1985, S. 3 ff.); Durchführung der Volkswirtschaftspläne im ersten Halbjahr (zuletzt: Neues Deutschland vom 13./14. Juni 1985, S. 3 ff.); Berechnungen und Schätzungen des DIW.



Key:

- |   |  |
|---|--|
| 1. First half of year   | 21. Inland Transport                         |
| 2. Year   | 22. Amount of goods transported;<br>by:      |
| 3. Actual   | 23. railroad                                 |
| 4. Produced National Income   | 24. inland navigation                        |
| 5. Industry   | 25. highway transport                        |
| 6. Goods production in the area of<br>industries ministries                 | 26. Goods Transport Services;<br>by:         |
| 7. Goods production   | 27. railroad                                 |
| 8. Net production   | 28. inland navigation                        |
| 9. Work productivity  | 29. highway transport                        |
| 10. (on basis of net production)  | 30. Retail, total volume;<br>including       |
| 11. Construction Industry   | 31. foodstuffs and luxury foods              |
| 12. Construction production of the<br>economy                               | 32. industrial goods                         |
| 13. Net production in the area of the<br>Ministry for Construction Industry | 33. Foreign Trade, total volume;             |
| 14. finished apartments;  | 34. imports,                                 |
| 15. new construction  | 35. exports                                  |
| 16. modernization   | 36. Balance (in billions of<br>Valuta Marks) |
| 17. in 1,000 apartments (14.-16.)   | 37. Net Monetary Income of<br>population     |
| 18. Agriculture   | 38. Total of Investments                     |
| 19. Livestock   |  |
| 20. Animal market production  |  |

Footnotes:

1) Preliminary data, some estimated. 2) Computed from monthly index figures; figures of "actual" are real amounts, i.e., counted back from official data, adjusting for work days.--3) Computed from index figures.--4) In the area of the Ministry for Construction Industry.--5) On the basis of the GDR key for large livestock units; data as of 31 May or year end.--6) Total of state production of livestock for slaughter, milk, eggs, and wool; evaluated on the basis of the GDR key for grain units.--7) Amounts planned.--8) Without sea and air traffic; half-yearly data, some estimated.--9) Current prices.--10) Including inner-German trade.--11) Without general repairs; at 1980 prices.--12) The total planned investment volume of M 56 billion, computed at constant prices, will probably just reach the volume of 1984 (M 50.5 billion).

Sources: GDR Statistical Yearbook 1984; Statistical indicators of short term economic changes in ECE countries, Geneva; National economic plans (latest: GB1. der DDR, Part I/1984, Nr. 32); plan implementation reports (latest: NEUES DEUTSCHLAND, 19/20 January 1985, p 3 ff.); Implementation of national economic plans during the first half of the year (latest: NEUES DEUTSCHLAND, 13.14 June 1985, p 3 ff.); computation and estimates by DIW.

Table III. Borrowing in the GDR

Table III: Kreditaufnahme in der DDR

Zeit	Umfang	Kreditgeber/ Konsortialführer	Kreditnehmer	Laufzeit	Zinssatz
März	500 Mill. US-\$	Amerikanisch-japanisches Bankenkonsortium / City Bank	Deutsche Außen- handelsbank AG	7 Jahre	7/8 % über LIBOR (1/2 % über Prime-rate)
Juni	600 Mill. US-\$	79 internationale Banken / Arab Banking Corporation, First National Bank of Chicago, Industrial Bank of Japan	Deutsche Außen- handelsbank AG	8 Jahre	3/4 % über LIBOR (3/8 % über Prime-rate)
Insgesamt	1100 Mill. US-\$				
Quelle: Pressemitteilungen					

Time	Amount	Lender/ Syndicate leader	Borrower	Life	Interest Rate
March	\$500 million	U.S.-Japanese bank consortium/ City bank	Deutsche Aussenhandels- bank AG	7 yrs	7/8 above LIBOR (1/2 above prime rate)
June	\$600 million	79 international banks/Arab Banking Corpora- tion, First National Bank of Chicago, Industrial Bank of Japan	Deutsche Aussenhandels- bank AG	8 yrs	3/4 above LIBOR (3/8 above prime rate)

Total \$1.1 billion

Source: Press releases

9917

CSO: 2300/500

GERMAN DEMOCRATIC REPUBLIC

RECENT PROBLEMS IN ESTABLISHING DRINKING WATER RESERVE AREAS

Groundwater Resource Management Stressed

East Berlin WASSERWIRTSCHAFT/WASSERTECHNIK in German Vol 35 No 4, May 85 pp 74, 75

[Article by Prof Ludwig Luckner, Dr of Technical Science, KDT [Chamber of Technology], paper from the Dresden Technical University, Section of Hydrosience]

[Text] There are no substitutes for water as a means of sustenance, and often not even as a raw material. The increasing water requirements of the communities, industry, and agriculture is the result above all of the growth in population and a rising standard of living. The future pace of development in many countries will also depend not least on to what extent it proves possible to meet the water requirements of the society with respect to both quantity and quality together with an acceptable economic cost, and at the same time to protect the natural water resources from overuse and degradation.

For many countries, groundwater is the main source of their drinking-water supply. Thus, at present the drinking water supply in the GDR comes from the following sources:

- about 3/5 from precipitation seeping through the soil (naturally constituted groundwater),
- about 1/5 from shoreline filtrate and artificially augmented groundwater,
- about 1/5 from bodies of surface water (storage dam reservoirs, lakes, bodies of running water).

But at the same time, groundwater and aquifers are also:

- an important element of the water cycle--a decisive element in the formation of the low-water runoff from bodies of running water and in the shaping of a self-purification capacity in the water cycle,
- a significant ecological factor in plant production, forestry, and landscaping,

- a production factor in industrial water management and in agricultural irrigation and drainage, and as a reservoir for heat and pollutants,
- a source of damage, in connection with strip-mining and excavation groundwater lowering, urban and industrial drainage, and land subsidence.

To an increasing extent it has proved essential to carry on water management in connection with a high level of utilization of the water resources strictly with a regard for the inseparable unity of the terrestrial water resources (standing and running water bodies as well as soil water and groundwater), and with a simultaneous consideration of the quantity and quality aspects (Figure 1). Thus the utilization and protection of the water resources must form an inseparable dialectical unity. A primary goal of the management of our water resources must be and continue to be making possible their socially effective use not only for the present-day but also for the coming generations.

Worldwide, soil-water and groundwater resources have been exposed more and more to the growing dangers of contamination and the dangers of overuse. For the GDR, the protection of the groundwater resources from overuse and degradation is of particularly great importance:

- because about 4/5 of the population's drinking-water supply comes from natural and artificially constituted groundwater, and in the future as well groundwater will remain the main source for satisfying the drinking-water supply requirements of the population, so there is no reasonable alternative to this;
- because the freshwater/saline water boundary already lying at a depth of 100 to 200 meters throughout most of the GDR permits a utilization of the groundwater, over a multiyear average, only to the extent that the groundwater resources get replenished again either naturally or artificially;
- because the utilization of the groundwater resources for supplying drinking water and industrial water has already reached a very high level by now, the drinking-water needs are rising further, and the further development of previously unused groundwater resources has become technically more and more complicated and expensive;
- because the groundwater resources are being strained by the technologically based drainage measures of our brown-coal strip mining to a very high degree, with the pumping of 1.8 billion cubic meters/year of pit water (a fifth of the steady natural water supply of the GDR), and this removal already today exceeds by far the quantity transported for supplying water to our communities;
- because the increase in the contamination of the groundwater resources is becoming more and more noticeable not only locally, but also regionally, and so the drinking-water supply is being faced with increasingly difficult problems, and the potential diffuse and locally concentrated sources of



contamination are increasing with continuing industrialization and urbanization; and

- because, finally, the intensively used close-to-the-surface groundwater resources, which in general are in direct correspondence with the extensively polluted bodies of surface water, must be used in connection with an overlying very intensive agricultural and forestry utilization of the soil resources (with considerable employment of chemical fertilizers and agrochemicals), in connection with a regionally widespread intensive coal mining activity (and the thus-caused sulfuric-acid release through the weathering of pyrites), and in connection with increasing urbanization and with a very intensive industrial activity; in this regard a territorial decoupling can be achieved only to a very limited extent.

For a long time, not too much attention was paid worldwide to the protection of the groundwater resources. Above all because of the rapid development of agriculture and the increasing pollution of the atmosphere (and the washing down of this pollution by precipitation), the necessity of groundwater protection is moving more and more into the center of interest.

Measures for the reduction of air pollution, the setting up of drinking-water protected areas and drinking-water reserve areas, as well as controls on the handling of water contaminants are urgent tasks of the greatest significance. Society is realizing more and more clearly what an enormous value must be ascribed to the natural resource "groundwater"--characterized by the features, which are not unchangeable over time, of quantity (danger of a dwindling supply), quality (danger of deterioration), and technical-economic availability (danger of a reduction in this).

Also the protection of the groundwater resources cannot be established in isolation from the value or from the potential change in value of the object to be protected as a function of the possible threat. However, groundwater protection as an object of economic considerations has come into the limelight only in very recent times. But since it is becoming more and more obvious that social wealth arises from natural resources in addition to human work, but that today these are no longer available to an unlimited extent and in a form unharmed from a human viewpoint and can be substituted for only to a restricted degree, today and in the future efforts must be undertaken on a new scale for the reproduction of our natural resources.

The most important way for the prophylactic protection of our groundwater, besides the carrying out of measures for the worldwide lowering of air pollution and for lowering the waste-water load of the bodies of surface water, is determining the dimensions of drinking-water protected areas and drinking-water reserve areas. In this connection it is important to solve two fundamental problems, namely:

1. The protected area of a certain groundwater resource must be delimited, and

2. The optimal possibilities for utilization and the management of the protected area must be concretely shown.

For solving the first problem, in the GDR as well the isochrone concept has prevailed to a very great extent. By an isochrone one means a line from which all water particles require the same average (convective) travel time before reaching the groundwater concentration points. One of the isochrones is now selected as the boundary of the protected area. The purpose of this concept is that in connection with some contamination outside the protected area (for example, by the accident of a fuel truck):

- a) a certain reduction in the detrimental effect prior to reaching the concentration points is guaranteed by the defined travel time of the groundwater contaminants, and
- b) a certain reaction time for controlling the damage is made available (Figure 2).

If one relates the isochrones to the travel time of the water particles, then the retardation factor  $R = 1 + K_d \rho_{tr}/n_o$  of a certain migrant (for example, an  $NH_4^+$  cation or a phenol) indicates how many times more slowly these water-dissolved particles migrate than the water particles themselves. Therefore, at the onset of an accident an effort will be made immediately to determine in the laboratory the retardation factor for the substances under consideration, in so-called batch or column tests, or else in situ with the aid of efficiency-pump tests.

The solving of the second problem is very different from one country to another. In the GDR the almost 15,000 km<sup>2</sup> of protected areas are subject to at least a double use. Almost 2/3 of the areas to be protected are used for agricultural purposes, forming about 1/7 of the total agricultural area. Thus the nature of agricultural land use has a decisive influence on the formation of the quality of the below-lying groundwater resources. Therefore, land utilization regulations and restrictions that are to be stipulated in the protected areas must be considered in terms of the hydrogeological structure. The investigation of substance-conversion processes in connection with the vertical passage through the soil is of decisive significance (Figure 2).

Since under the present industrially-oriented conditions of agricultural production, and in the future probably also of forestry production, the waste water from the production domain of land--with its contaminant burdens from fertilizers (for example, nitrate) and plant-protective agents (for example, pesticides)--decisively affects the quality of groundwater resources, an integral economic concept must be found for agricultural and water-management activity. The concept created by Kramer concerning the formation of hydro-agrarian cooperative ventures for the organizing of water-management/agricultural production systems (WALAP) is being regarded and backed as a very effective instrument for the economic optimization of water-management and agricultural production in a territory. The practice still in effect today--for no quid pro quo to be required from agriculture and forestry for the waste water entering into the groundwater resources by

way of percolation—is inconsistent with the causer-responsibility principle and leads to a wrong evaluation of the real expenditures for agricultural and forestry production. Also the use of water commissioners in agriculture and the introduction of an obligation to submit declarations on the part of agricultural enterprises concerning the polluting of seepage water with contaminants that they are responsible for are effective measures for efficiently controlling the changes in quality of the groundwater resources.

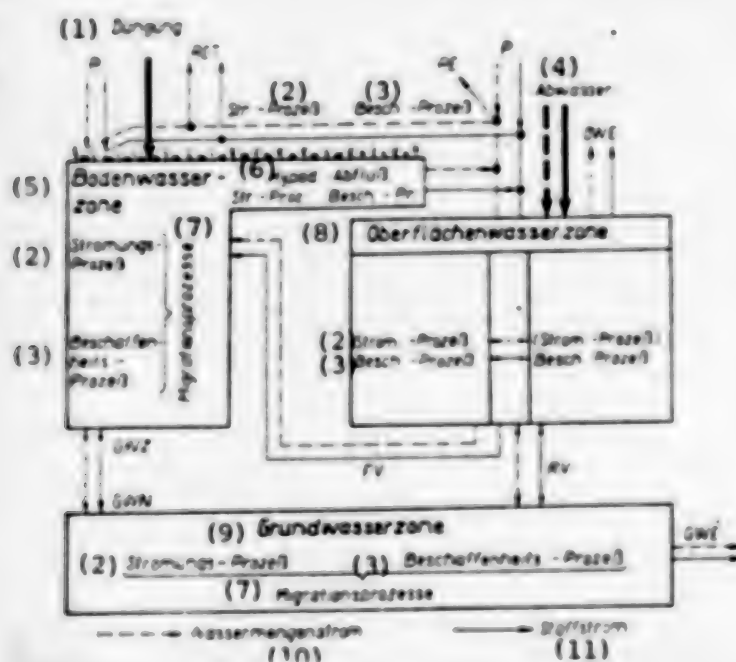


Figure 1. Water Management That Takes into Account the Terrestrial Water Resources and Simultaneously Gives Consideration to the Quantity and Quality Aspects.

Key:

1. Fertilization
2. Flow process
3. Conditioning process
4. Waste water
5. Soil-water zone
6. Hypod [meaning unclear] flowoff
7. Migration processes
8. Surface-water zone
9. Groundwater zone
10. Water flow
11. Material flow

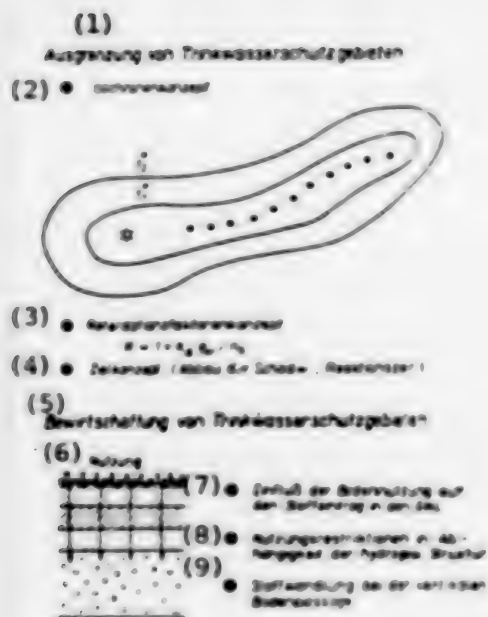


Figure 2. Delimitation and Management of Drinking-water Protected Areas

Key:

1. Delimitation of drinking-water protected areas
2. Isochrone concept
3. Retardation factor concept
4. Time concept (reduction of the detrimental effect, reaction time)
5. Management of drinking-water protected areas
6. Utilization
7. Influence of land utilization on the entering of material into the GWL [probably "Grundwasserleiter": aquifer]
8. Utilization restrictions as a function of the hydrogeological structure
9. Material conversion in connection with vertical passage through the soil

Water-Use Regulations Enforced

East Berlin WASSERWIRTSCHAFT/WASSERTECHNIK in German Vol 35 No 4, May 85 pp 76,77

[Article by Dietrich Kramer, Dr of Agriculture; paper from the Institute for Water Management]

[Text] The protection of its water resources is a constant preoccupation of the socialist society. The most important legal foundations for this are embodied in the GDR's Constitution (Article 15), in the Environmental Control Law (§ 26), and in the Water Law (§ 23).



Proceeding from the specific significance of our drinking-water supply, the drinking-water protected areas must be given particular attention. In the GDR, by the year 1982 some 8,600 protected areas had already been decreed, and 90 percent of all the protected areas (SG) that were to be identified had been made a reality. Now there is the urgent task of defining the area-related protection requirements on a substance basis as well. This means:

1. The cultivation of the SG's is to be subordinated to the protection requirement for the utilization of the water resources.
2. Agricultural and forestry management must be organized in such a way that despite necessary restrictions and prohibitions, a further intensification in terms of a total social product becomes possible.

In this connection, forest reservations, grassland, and selected forms of fodder-plant cultivation as well as intercropping--specifically, winter catch crops--have particular advantages; on the other hand, root crops inclusive of vegetables lead to relatively high nitrate leaching, as a rule require increased plant-protective measures with corresponding leaching potentials, and should be concentrated outside the SG's.

The basic regulations for designating and managing protected areas for the GDR are encountered in the Water Law of 2 July 1982 (GBI. [Legal Gazette] 1 No. 26/82) in conjunction with the LPG [agricultural producer cooperative] Law of 2 July 1982 (GBI. 1 No. 25/82), and the Land Utilization Ordinance of 26 February 1982 (GBI. 1 No. 10/81), as well as in the 3rd DVO [implementing decree] on the Water Law of 2 July 1982 (GBI. 1 No. 26/82).

In our republic, for the implementation of the Water Law of 2 July 1982 there are detailed normative provisions on the management of TSG's [drinking-water protected areas], which are stipulated in the GDR Standard TGL [GRD norm] 24348, "Utilization and Protection of Water Bodies, Drinking-water Protected Areas," with its folios 01 "General Principles," 02 "Water Protected Areas for Groundwater," 03 "Water Protected Areas for Surface Water," and 04 "Markings at the Site, Labeling on Maps."

In addition, from 1 June 1985 on the Standard TGL 43271, "Utilization and Protection of Water Bodies, Drinking-water Reservation Areas (TVG's)," will go into effect. The purpose of the establishment of TVG's is to protect areas that have been earmarked within the framework of long-range plans for drinking-water recovery by means of precautionary stipulations, for example utilization restrictions. With that, prospectively as well an adequate supply of drinking water having the requisite quality is to be ensured together with an economically acceptable expenditure on protection, environmental improvement, development, recovery, purification, and distribution.

Moreover, the areas outside the classified TSG's are likewise subject to a prophylactic water-body and groundwater protection. Our socialist economic system guarantees that the normative provisions on their management and use

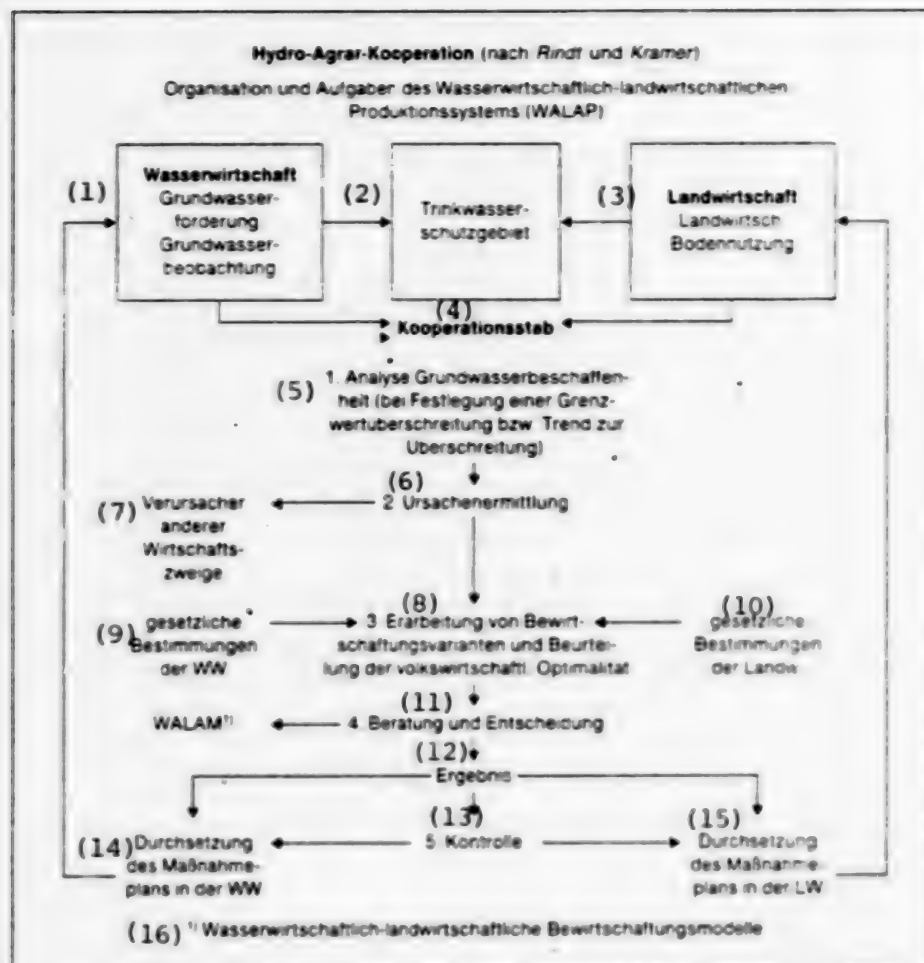
will take into account the concerns of environmental and water-body protection. In this connection, for fertilization in agriculture reference is made to the Standard TGL 24345, "Utilization and Protection of Water Bodies, Protection of Water Bodies, Fundamental Requirements in Handling Organic and Chemical Fertilizers." Its application guarantees that even outside the protected areas no groundwater contamination can arise from fertilization measures—including nitrogen fertilization—which might jeopardize the recovery of usable water. Corresponding national regulations exist also on the application and dissemination of biocides and on irrigation with fresh water and waste water (waste-water soil treatment).

The drinking-water protected areas have the following extent—as measured by the total agricultural area (LN) of the GDR:

- |                       |                             |
|-----------------------|-----------------------------|
| - Protected zone I:   | 0.1% of the LN of the GDR   |
| - Protected zone II:  | 1.5% of the LN of the GDR   |
| - Protected zone III: | 12.2% of the LN of the GDR  |
| - Total TSG's:        | 13.8% of the LN of the GDR. |

Therefore it has to be assumed that especially in the TSG's and TVG's, the land as a site of production has a double function. The intensive water-management and agricultural production existing in our republic has reached such a degree of interlinking at present that scientifically grounded, well-planned, and cooperatively developed forms of organization—so-called hydro-agrarian interlinkages—must be realized. The creation of such "Water Management-Agricultural Production Systems (WALAP)" guarantees in the long run that we will be able to recover and make available water resources with quality parameters within the applicable use-determined limiting values and with an expenditure for their purification that is acceptable economically and in terms of energy expended. The WALAP plans are oriented primarily toward the management of water protected areas. In this connection it must be heeded that the extension, organization, and management of the protected areas are acted on in an integrated way.

The protection of the water resources from overuse, degradation, and contamination sets numerous tasks in connection with their increasingly intensive utilization in the present and future, with these tasks being so closely interrelated that only comprehensive strategies for solutions can have much promise. Proceeding from the hydrological distribution of the water in the soil, now above all the economic categories of the WALAP conception must be worked out further. For the purposes of the optimization of agricultural and water-management production, activity in water protected areas must be regulated by hydro-agrarian cooperative efforts, in which the water-management and agricultural enterprises organize their cooperative work straightforwardly and in accordance with common goals in line with the outlined plan.



**Figure: Hydro-Agrarian Cooperation (after Rindt and Kramer)**

**Organization and Tasks of the Water Management-Agricultural Production System (WALAP).**

**Key:**

1. Water management: Groundwater pumping, groundwater monitoring
2. Drinking-water protected areas
3. Agriculture: Agricultural land utilization
4. Cooperation staff
5. Analysis of groundwater quality (in establishing an exceeding of limits or a trend toward exceeding limits)
6. Determination of causes
7. Causative agents from other branches of the economy
8. Working out of management modifications and assessment of the economic optimum

[Key continued on following page]

9. Legal regulations for water management
10. Legal regulations for agriculture
11. Discussion and decision
12. Outcome
13. Supervision
14. Implementation of the plan of measures to be taken in water management
15. Implementation of the plan of measures to be taken in agriculture
16. 1) Water Management--Agricultural Management Models

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HUNGARY

INDUSTRIAL ACHIEVEMENT OF 1984 ANALYZED

Budapest FIGYELO in Hungarian 15 Aug 85 p 7

[Article by Marton Peto: "Industry's Annual Report Card"]

[Text] We are accustomed to reporting on the development of the role and performance of industrial enterprises largely on the basis of a few combined indexes--sales receipts, profit, profitability. The effect of the management factors influencing these indexes is rarely analyzed, as a result those real processes which determine the development of profit or profitability remain hidden. Nor does it appear from the combined indexes in what areas the management of the enterprises has improved or where their work has deteriorated. To make up for this deficiency, let us analyze the 1984 accomplishments of the industrial enterprises.

Profit rose at a rate exceeding what was planned, twice as fast as in the preceding year, by 13.5 percent, a good bit above the average in metallurgy and the chemical industry--almost half of the extra profit went to the chemical industry. Profitability, i.e. the results in proportion to assets and wages, improved by about half a percentage point, exceeding this by a good bit in metallurgy and chemical industry.

The difference between the price changes for products sold and the materials and parts used, i.e. the sum and ratio of net price profit, decreased as a result of the slowed increase in the producer price level. It was basically the foodstuffs industry which received greater support than earlier. Results were hurt by a limited increase in production costs, less than last year, and by undistributed costs, the same as last year. But the increase in the volume of sales improved this.

Price Profit

There was a 1-percent price level increase for sales in industry in 1984, accompanied by a 1.05-percent price increase for net material costs; within this the price increase for net material costs was 3.70 percent in the electric power industry, 1.53 percent in the foodstuffs industry and 0.42 percent in metallurgy. Since material costs account for 60-70 forints of each 100 forints of sales receipts it is obvious that in the event of an increase of similar magnitude in the price of products sold and in the price of

material used a significant net price profit is generated. So in this respect those enterprises (for example in the foodstuffs industry) are in a disadvantageous situation at which the material proportion of production is greater than the average.

The situation of the enterprises also differs in regard to the increase in the sales prices. Because of the inadequate competitiveness of products in the present production structure a price degradation or price loss is increasingly characteristic in export accounted for in convertible exchange. Because of the resistance of the customers it has become increasingly difficult but still the accepted method for increasing profit is to increase the domestic producer prices, which in turn exerts pressure on consumer prices.

Net price profit in 1984 moderated somewhat compared to the preceding year, but even so the results of industry increased by 16 percent and the level of results reached 120 percent of the profit increase.

The increase in sales prices, and thus the net price profit, cannot be equated to dishonest prices (profits) for in many cases it is interdependent with the market position of the enterprises, and not least of all with central measures (for example the strong devaluation of the forint). It cannot be disputed, however, that the enterprises frequently raise their prices in the interest of counterbalancing management deficiencies, passing on costs increases and increasing their profit.

#### From Supports Too

Extra supports have increased the results of industrial enterprises--especially in the foodstuffs industry and in metallurgy--to an increasing degree in recent years, by almost 18 percent in 1984.

In 1984 the net price profit and the extra supports did not force the enterprises to improve their cost management or increase efficiency. The increase in direct production costs grew in 1984 more moderately than earlier (at comparable prices) and this growth hurt the results of industry by about 3 billion forints.

By carrying out economical material use and implementing the technological modernization program the enterprises achieved a net material costs savings of about 5 billion forints, which however is a good bit less than in 1983. The specific material proportion of gross production improved by about half a percentage point--at both current and comparable prices.

The increase in undistributed costs continued in 1984--at comparable prices and structurally--and this hurt the results of industry by about 18 percent. The central guidance costs of the enterprises and the banking costs increased significantly. Banking costs increased by almost 50 percent in 1984 as compared to 1982--interdependent with the increase in interest rates as well--and 8-9 percent of the increment in sales receipts in the past 2 years had to be turned to banking costs. This figure was 23 percent in metallurgy! Banking costs exceed 7 percent of the sales receipts for 3 percent of the enterprises, but 14 percent of the convertible accounting export comes from these

enterprises and one fifth of the machinery and equipment operating in industry can be found in them. The enterprises in this group have low profitability and are significantly in debt. The high banking costs especially burden the metallurgical, machine industry, chemical industry and foodstuffs industry enterprises exporting in large volumes and values.

Fixed assets maintenance costs (which also contain the effect of price changes, the increase in the wage contribution, etc. and which increased the undistributed costs) increased by 14 percent in industry--the figure exceeded this by a good bit in mining and electric power industry--and their ratio in all costs increased somewhat. Maintenance activity performed by outside enterprises had an increase more rapid than the average and its ratio reached 40 percent.

The security of operations determines the fixed assets maintenance costs. And since the renewal of machines and equipment is progressing in a protracted manner it happens that in mining and light industry, for example, the fixed assets maintenance costs increased by about one billion forints (23 and 16 percent respectively) despite a reduction in profit. In the electric power industry the maintenance costs increased by 30 percent (by four times the extra profit).

The industrial enterprises turned one tenth of the value of machines and equipment to maintenance. The specific maintenance costs calculated for fixed assets increased by only 2-4 percent in metallurgy, the machine industry and the construction materials industry, but if we take into consideration the increase in the price level (primarily for outside performance) then the volume of the activity stagnated and even decreased in a number of cases.

#### Its Magnitude is Insignificant

The specific cost of production was increased by the fact that in 1984 they paid out 5 billion forints more than in the preceding year (the figure exceeded the average by a good bit in the electric power industry, the construction materials industry and the foodstuffs industry) to civil law associations, work associations and special groups--70-80 percent of which work inside an enterprise--and the ratio of this related to gross production value increased by 0.5 percent (by 0.9 percent in the machine industry), but by virtue of replacing cooperation this moderated the material costs.

Among the other factors the results of industry were improved by the increase in the volume of sales receipts (especially in the machine industry and chemical industry), by use of the price differential reserve fund (largely in the foodstuffs industry) and by non-industrial, primarily domestic trade, activity. The stockpile demands for production moderated--crucially because of the decrease in the storage time for material stockpiles. Profits were increased by a slowing in the scrapping of purchased stockpiles and by accounting for the least possible depreciation write-off.

Sums and Ratios Paid Out to Civil Law Associations, Work Associations and  
Special Groups in the More Important Branches of Industry (1984)  
Ratios in Percent of Gross Production Value

Designation	Millions of Forints	Percent
Mining	333	0.4
Electric Power Industry	454	0.7
Metallurgy	742	0.7
Machine Industry	4,075	1.5
Construction Materials Industry	377	0.9
Chemical Industry	947	0.4
Light Industry	1,304	0.3
Other Industry	155	1.2
Foodstuffs Industry	694	0.3
<hr/>		
Industry, total	9,031	0.6
<hr/>		

The cost increasing effect of the increase in the wage contribution and of accounting for wage supplements as wage costs reduced the results in industry by almost 13 percent (primarily at the labor intensive light industry and mining enterprises).

The enterprises attaining a profit increase greater than 50 percent--one eighth of the enterprises--accounted for almost one quarter of the sales receipts and for 40 percent of the convertible accounting export and they operate about one quarter of the machines and equipment of industry. The value of machines and equipment per 100 forints wage costs in this group is almost double the industrial average.

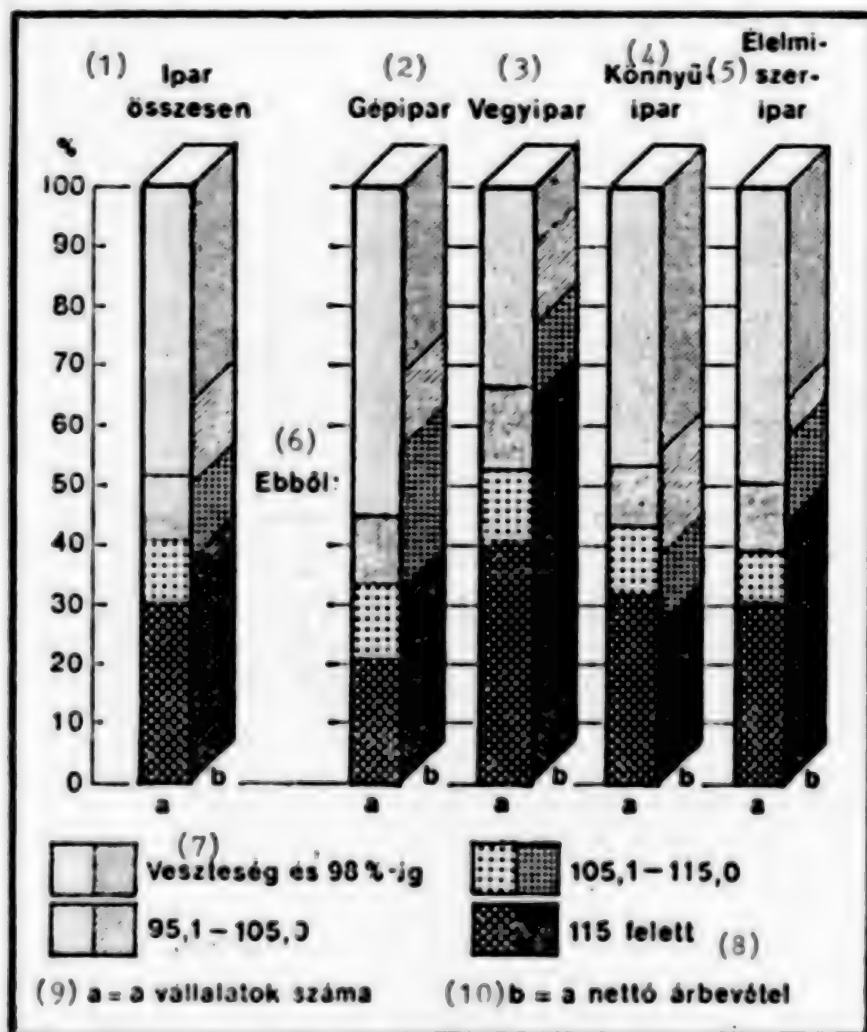
At the 40 percent of the enterprises where the ratio of wage costs and of the value of machines and equipment is a good bit below the average the profit decreased by more than 5 percent. These enterprises provide one third of the sales receipts of industry and one fifth of the convertible accounting export. Deficit enterprises and those with "deteriorating" results--largely in the machine industry, chemical industry and the foodstuffs industry--are characterized by a relatively low organic composition of capital and an enterprise size and export ratio smaller than the average.

Because of the uneven possibilities for increasing profit the costs sensitivity of the enterprises is weak and profit--as the center of interest--does not yet adequately constrain the enterprises to increase their efficiency.

The temporarily spectacular results achieved by the increase in price profit and supports can suggest an attitude and a practice according to which the desired profit can be achieved with little effort, with "clever maneuvers." But in the event of a blocking of sources (or having them remain at the same level)--as numerous examples show--the enterprises can be forced to increase their performance only with very great effort and not infrequently at the



price of serious shocks. It appears that these dangers and these effects are becoming stronger and stronger in management.



Distribution of Number and Sales Receipts of Enterprises According to Size Group of 1984 Profit Increase

Key:

- |                        |                            |
|------------------------|----------------------------|
| 1. Industry, total     | 6. Of this:                |
| 2. Machine industry    | 7. Deficit to 98 percent   |
| 3. Chemical industry   | 8. Above 115               |
| 4. Light industry      | 9. a=number of enterprises |
| 5. Foodstuffs industry | 10. b=net sales receipts   |

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CSO: 2500/518

EFFECTS OF STRUCTURAL CHANGES ON INVESTMENTS

Budapest NEPSZABADSAG in Hungarian 21 Aug 85 p 10

/Article by Peter Kardos, department chief National Planning Office:  
"Structural Changes and Investments"/

/Text/ Is it possible to make structural changes given the present volume of investments? Is there a way of preventing the technological gap between Hungary and the advanced countries from widening further? Under what conditions and requirements can investment policy serve to improve the compatibility of the economy? In recent years these have been the questions at the center of discussion regarding investment, and we may also group around this area the problems that are related to the prevention of narrowing the development possibilities for profitable enterprises, to the taxes and withdrawals that burden investments, to the condition of fixed assets and subbranch distribution, and to the efficiency of investment activity.

In recent years the protection of our ability to pay—as is well known—has required us to vigorously restrain domestic consumption, including primarily stockpiling.

Many ascribe the slow structural changes to the limited investment possibilities. On the one hand it must be clearly seen that in recent years strict investment and purchasing power regulations were unavoidable and played an important role in the fact that the international financial and economic judgment of Hungary today is more favorable. On the other hand, we must consider that other countries—although generally earlier than Hungary—have also begun to reduce the savings ratio, but despite declining investment funds have carried out vigorous structural changes. Therefore, the smaller investment volume cannot in itself be regarded as the cause. A very important role, however, was played by the fact that the efficiency of the investments—despite several cases of clear advancement—did not improve, or did only insignificantly. Therefore, if we want to find the possibilities for future structural changes, we should examine, first of all, not the results but the problems and their causes.

### Significant Problem

It is a significant problem that the distribution of market relations and resources (including those of the centers) did not in recent years bring about any differentiation which would have advanced the dynamic development of competitive activity or constrained a cutback in unprofitable economic work. Since central assistance was frequently available for the maintenance of the inefficient enterprise activities, the reduction of savings sources most seriously affected the profitable enterprises, even inordinately limiting the possibilities for modernization.

The centralization of incomes--up to 1985--was realized primarily by increasing taxes and charges on profits and investments. The former led to a reduction in differentiation depending on profitability, and the latter to the fact that costs of purchasing capital goods grew disproportionately more expensive compared to the other factors of production (for example, live work), which also hindered modernization and technical development.

### Possibilities of Change

The meeting of energy demands--partly because of the more modest results achieved in energy rationalization--made it necessary to increase the investment ratio for mining and the electric energy industry in the macro-structure of investments. Between 1981 and 1985, 12 percent of the economic investments were devoted to these two subbranches, as compared to 9 percent between 1976 and 1980. At the same time the ratio of investments in the processing industry subbranches declined from 15 percent between 1976 and 1980 to below 13 percent, and the ratio of the investments in the food industry subbranches declined from 18.5 percent to 17 percent, without a substantial increase in the efficiency of investments in these areas.

Fixed assets--although their growth lags behind the average for earlier periods--expanded significantly, substantially surpassing production. An unfavorable trend is the growth in the average age of the machine stock and the decline in the use of fixed assets. In the case of facilities put into operation at the beginning of the plan period, marketing difficulties are also in some cases hindering and in many cases obstructing the use of new machines.

If we have the interest of our economic development at least we can no longer delay the realization of our economic policy--development policy--goal of making sure that the more profitable, more competitive areas should share their earned incomes to such a degree that their further dynamic development will be assured. Thus supplementary activity must also be subordinated to an evaluation by the market. There can be no way for a one-time renovation of fixed assets where the management is inefficient and where the amortization is not recovered in the price. Among other

things, a favorable possibility is offered for a more differentiated selection extending to resources as a whole by the fact that the export expansion rate, which was often forced in recent years, may be gradually replaced by an export increase in harmony with the improvement of export capability, and in this way there will be a possibility for the elimination of the most unprofitable exports and a more rapid change in the export structure.

The center of interest is being transferred from the extensive development of capacities to investments designed for small and medium-scale quality improvements and for promoting the modernization of the microstructure. Accordingly, we have reduced the ratio of large-volume and slow-return investments, which generally require central discipline and have placed in the forefront developments closely linked to small enterprise management. In this way, the central priorities of development policy and the requirements of enterprise management converge on each other. Accordingly, modifications are also occurring in management means. A greater role is being assigned to the formation of enterprise sources, to means and money circulation among enterprises, and to commercial viewpoints in granting credits. It is important to divide more consistently those areas where direct state participation is justified from areas where free enterprise and bank decisions must determine the directions of development. In the former we may include energetics and the large-volume developments of the producer infrastructure, and in the latter the investments of the competitive sphere in the broad sense of the word. In the competitive sphere the state may promote the attainment of the more important goals and an increase in the revenue-producing capability by influencing the economic conditions, assuring a wide scope to efficiency points of view, and building on the initiative-taking capability of the enterprises.

Thus in state guidance, emphasis is being placed on the means of indirect influence (tax rebates, accelerated write-offs, capital allocations based on risk distribution, and so forth, rather than on direct intervention. Consistent task distribution, decentralizing decisionmaking are indispensable conditions for shaping the development practice that reacts sensitively to market conditions. In development decisions regarding the nonproducer infrastructure, we must increase the independence and responsibility of the councils and the population. The investment decisionmaking system in effect since the beginning of 1985 also reflects these principles.

#### Quality Exchanges

In the next 5 years fixed assets will expand in the economy as a whole somewhat more modestly than in the period 1981-1985, but within this it will increase more rapidly in the processing industry than in previous years. The essential change is that we must raise not quantitative but qualitative requirements on fixed-asset management. On the one hand this is due to the fact that in the case of mechanical replacements the remaining resources are not adequate to structural change, and on the other hand that the production of capital stock would not provide adequate



conditions either for the modernization of production or for the more intensive use of fixed assets. The quality of modernity in fixed assets can be improved by quality exchanges. The principal elements of the new replacement system in immediate producer areas are: amortization adjusted to the rate of return, and the voluntary or compulsory sale of fixed assets in cases where yields are low.

It is a disputed development policy question how available development sources can be distributed among various branches. The investment activities of the subbranches--particularly in the producer areas--must be developed and determined mostly for revenue formation and for the efficiency of the investment process. It can in any event be established that--because of its outstanding role in the improvement of export capability--the basic task is the selective modernization of the processing industry and the growth of its investment ratio. Of course, this must not endanger the guarding of the role played by the food industry economy in socio-economic gap that separates us from the developed countries would widen and lead to a historical lag. Basically, it is this circumstance that justifies the processing industry and the food economy to share to an increasing extent in the revenues they produce. It must be emphasized that the development can only be a differentiated one, for without selectivity--as unfortunately confirmed, by development experiences in 1976 to 1979--the expanding possibilities will not in themselves result, and cannot result, in an improvement in compatibility.

In the producer infrastructure, we need to make more rapid progress than up to now--primarily where the facilities basically influence or limit the production process and the living conditions of the population. From this point of view we may mention first of all the development of telecommunications, but there is also a need for the reconstruction of the railroads and the road network, for the expansion of a clean drinking-water supply, and for the increased protection of water quality.

In the coming years an important question for investment policy is whether it will succeed in decreasing the investment share of energetics and primary material manufacture. This would create more favorable conditions for the more rapid development of the processing industry and certain producer infrastructural areas. We are speaking here of a complicated task because we cannot risk the security of the energy and material supply, which is also the basic condition for the development of the processing industry. If the production structure is moved toward products that are less demanding in material and energy, a reduction in the specific material and energy use will become a basic motif in enterprise management, and the possibility will arise that the investment ratio for energy and the primary material industry will be moderated in the Seventh 5-Year Plan period.

We need more stability than up to now in the methods of purchasing-power regulation for investments in order to make it possible for the economic units to weigh more freely the use or replacement of certain production factors. According to our present information the centralized share of

revenues will hardly be perceptibly reduced in the first years of the Seventh 5-Year Plan, and an increasing share of the produced revenue may remain with the enterprises. Unlike in previous years--when revenue withdrawal increased continuously--this represents a new task in purchasing power regulation, and we must not give in to efforts directed at relaxing efficiency requirements. This would lead to a revenue outflow without achievement, something which would require withdrawals after the fact.

It is an important requirement, on the one hand, that instead of profit-ratio withdrawals greater emphasis should be placed on the taxation of production factors, and on the other hand that under the Seventh 5-Year Plan the costs of capital goods acquisition should be moderated in comparison to the burdens of live work (for example, by reducing the savings tax and credit interest).

It must also be emphasized that this favorable and in any event necessary change can only be realized gradually as a function of increased revenue production and efficiency.

#### Close Link

Therefore, I think we can answer the question posed at the beginning of this article by saying that despite the modest extent of improvement possibilities in coming years, there is a way of accelerate the rate of structural change. The condition for doing this is that--considering domestic endowments and foreign economic possibilities--we should develop the processing activities more vigorously and selectively and link more closely together investments and technical development. With a more decentralized decisionmaking system, we should improve the entrepreneurial inclination and capability of the economic organizations, bringing into conformity revenue production, efficiency improvement and investment possibilities, and give opportunity for modernization investments. As discussed in detail and approved by the State Planning Committee, this development policy will more vigorously than before build on the initiative-taking inclination of the enterprises, which among other things will make it necessary to plan, test and introduce new entrepreneurial methods.

6691

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HUNGARY

INDUSTRY HELD TO BE IN CRITICAL CONDITION

Budapest MAGYARORSZAG in Hungarian No 35, 1 Sep 85 pp 24-25

[Article by Ivan Wiesel: "Our Industry at Crossroads; After Four Decades Sincere Look at Problems"]

[Text] In connection with the 40th anniversary of the liberation of our homeland frequent mention was made of the determining role played by industry in the economic and social transformation. In this historical period industrial production really did become the fundamental resource of the economy. The share of industrial production in the national income rose from 25 percent in 1938 to 46 percent by 1984. The value of industrial production increased about 16 times compared to 1938. Beginning with the years of industrialization up to today the growth rate of industry averaged about 7 percent per year. Industrial production had never expanded so quickly in Hungary. Earlier industry had developed most quickly between 1880 and 1913, in the years of the great establishments, but even then the annual growth rate was only 3 percent. (In the Horthy epoch the annual average growth rate of industrial production was around one percent.)

By Historical Standards

The rate of growth in industry in the past four decades was not only spectacular compared to itself earlier, it was so even compared to the developed industrial states which, in this period, increased their industrial production by annual average of 4-5 percent. Measured by historical standards the industry of our homeland came closer to the industrial states of the world. In 40 years Hungary changed from an agricultural country to an industrial state which, together with a modern agriculture, entered the group of industrially moderately developed countries.

The holiday mood of the anniversary cannot relieve us of mentioning those problems which even now affect our economic development as a result of the errors of socialist industrialization. As a result of the forced pace industrialization of the 1950's, which did not pay adequate attention to our traditions and natural resources, an industrial structure developed in which the extractive industries and the branches producing primary materials are overemphasized compared to the processing industries. In general it was the material and energy demanding branches of production which developed. In the

1950's technical cooperation with the developed capitalist countries was at a low level and thus the level of the technology adopted in our homeland as a result of industrialization generally did not correspond to the leading technology of that period. Small plants wasted away in the shadow of the great industry development and as a result of this there were shortages of parts and lasting shortages in the manufacture of custom goods which disturbed the continuity of industrial production. (It is customary to refer to all this as the undeveloped nature of the background industry.) As a result of the lack of small plants repair and service activity shrank to a low level also.

#### Alarming Data

With the aid of historical analysis it is relatively easy to make a diagnosis about the industrial structure, but the therapy--defining the desired structure and preparing an action program--is a very complicated task. And it does not change this fact that the basic requirement is a simple one--we must develop a production and product structure which is in harmony with our economic and other conditions, which can produce modern products economically and sell them on the markets. Yes indeed, but what this means in the developmental trends of the enterprises, how to produce the material assets necessary for this process, these are the questions still awaiting answers--although time presses us on. The "price" of delaying is rising not linearly but progressively. Our international competitiveness is deteriorating apace.

One of the characteristics of our industrial development is that the process of modernizing the product structure is a slow one. The average age of the products is over 16 years. Among other things one reason for this is that the remnants of extensive development have not been completely eliminated in enterprise management. A role in this is also played by the fact that the interest system does not encourage or force the enterprises to manufacture new products. Nor has it favored the modernization of the product structure that the social and material recognition of the technical intelligentsia is inadequate, not in proportion with the value of the work of the creative intelligentsia. As a result of the rigidity of the product structure the international competitiveness of our products has declined and the foreign trade terms of trade of industry have deteriorated. And so, year after year, we must export more product for each unit of import. It is an alarming datum that in the past 10 years the loss due to the deterioration in the terms of trade was about 500 billion forints, which corresponds to 62.5 percent of all gross national production in 1984.

Contrary to our intentions selectivity is not being realized adequately in the development of industry. The growth possibilities of enterprises which are not working effectively have not been limited. They have usually been able to prove the "social necessity" of their activity. This results not only in an unjust distribution of the available resources it has also held back the adequate development of innovative activity.

The ability of industry to produce income has been less than satisfactory. This is a consequence of the fact that there was not an offering of products with which it would have been possible to create the conditions for healthy market competition. As a result of this the cost sensitivity of the



enterprises is still weak. In the complex web of preferences and withdrawals it is difficult to establish the real performance and develop appropriate interest relationships. Because of the pressure of present circumstances the central withdrawals are ever larger, and this circumstance limits the growth of enterprise performance.

It also makes the development of industry difficult that the frameworks of CEMA integration have temporarily narrowed. Intensive industrial development has come to the fore in every member state. The countries are striving to export products at ever higher stages of processing and, if possible, to export raw materials, fuels or high level technology. The present "hardness" of our product structure corresponds only in part to these requirements and this only makes probable a further deterioration in the terms of trade but also will cause ever greater marketing problems. The sales difficulty may become acute in some branches and product groups. As a result of this the position loss of our industry on the CEMA market is significant. In 1965 Hungarian deliveries represented 7.6 percent of the industrial imports of the organization; in 1984 this did not reach even 4 percent.

The positions of industry have deteriorated on the markets of the developing countries as well. In 1960 0.45 percent of the industrial imports of these countries originated from our homeland; in 1984 this figure was only about 0.30 percent.

Taking into consideration the broad time horizon in the growth of the export of industrial products we are lagging behind the international trend.

The organizational system of industry has not adjusted to the changing internal and external economic conditions. The unjustifiably great centralization holds back the development of a market competition situation and the development of the ability of the managing units to make flexible adjustments. There is backwardness not only in the development of the producing organizations but also in the system of market contacts. There is not sufficient interest in the development of more efficient marketing forms or in the up-to-date discovery of market demand.

It is also a source of our problems that a manager type guidance practice and internal incentive system have not developed at the enterprises.

#### Backwardness is Increasing

In the years 1979-1984 industry undertook a significant role in restoring the external economic balance. Year after year more income was withdrawn from the enterprises, they had fewer developmental opportunities, and the import sources began to dry up. The number of workers in industry decreased. In the midst of an unfavorable international market environment all these pressures created serious tensions in the development of industry, and in this period the backwardness compared to the developed industrial states increased.

Because of the limited investment possibilities the installation of machines and mechanical equipment increased substantially more slowly than before. Between 1980 and 1984, 194 billion forints' worth of machines and equipment

were put into operation, and these had only a moderate effect on increasing the technical level. Frequently the investments hardly meant more than simple replacement; the automation level of the machinery hardly increased. Investment machine import decreased, by more than 10 percent overall, and within this machine import from the non-ruble accounting relationship decreased by more than 20 percent during these 4 years.

More than half of the more important basic and auxiliary plant machinery being used in state industry is older than 7 years, and not quite 9 percent of the machinery is 2 years old or younger. In ferrous metallurgy the age of much of the important technological equipment exceeds 70 years, machine industry equipment is older than 9 years on the average, and 14 percent of the machines working here were manufactured prior to 1966. There is no need to prove that the majority of these machines are obsolete both physically and morally.

In the group of automated machines and equipment the partially automated devices are in the majority; their share was 77 percent in 1982 and three quarters of these worked with mechanical controls. The ratio of program controlled machines and equipment in the machine park is around 20 percent; the share of computer controlled devices was only 2.2 percent.

The decreasing labor force could not be countered with modern technology in the Sixth 5-Year Plan. As a result of this the increase in labor productivity was lower than desired and lower than that of developed industrial countries. Because of the shortage of manpower the capacity of the very valuable machines was not adequately exploited in industry, as a result of which the ratio between moral attrition and return on investment is unfavorable for us.

It is also true that frequently the enterprises manufacture relatively modern products with obsolete production tools and technology. But the consequence of this is a constant increase in expenditures and a deterioration of competitiveness.

It was relatively easy to diagnose that the structure of industry is obsolete. But it is more difficult to find a path along which we can move from the obsolete structure to the desired structure in which a large place will be occupied by the complicated, most modern products most sought after on the market, which at present very few of our enterprises are capable of producing.

#### Block Concept

In July 1983 the Central Committee of the MSZMP dealt with the status and tasks of industry. In its resolutions it established that our industry must be renewed and must undertake greater tasks in economic progress and in increasing the wellbeing of the people. The 13th congress confirmed the resolutions and urged the development of a performance-oriented attitude in industry.

It is the responsible mission of industrial guidance to make a careful analysis of the tensions and work out the most important directions and tasks for industrial renewal. The industrial block concept worked out for the Seventh 5-Year Plan period can be regarded as an important station in this

work. This was developed in broad social debates; eleven preliminary technical and economic ideas were prepared, bringing in associated organizations and the enterprises affected. These were debated by the Patriotic People's Front, the National Council of Trade Unions, the KISZ, the Hungarian Chamber of Commerce, the National Federation of Artisan Cooperatives, the National Organization of Artisans, the Hungarian Academy of Sciences, the Federation of Technical and Scientific Associations and the Hungarian Economics Society.

The goal in compiling the block concept was to make available a combined innovative strategy which would make possible the swift accommodation of the economic units to changing external and internal market needs. For this reason this idea is an open one, involves several versions and can be integrated with enterprise strategies. It includes a target system, stressed tasks, precursors of changes, state actions connected with the realization of the tasks and economic regulators. In essence the block concept is a comprehensive model which, by virtue of recognizing and systematizing causal connections, provides the possible directions for industrial development.

A basic question is the ratio which must be developed or required between the primary material industries and the processing industry. It is well known that the two oil price explosions and the raw material and fuel acquisition problems which arise from time to time have suggested that the development of the extractive industries at virtually any cost is an industrial policy direction to be followed. In contrast to this the block concept sets forth that: "In the long run an industrial structure in which the processing industry is the determining factor suits the domestic conditions and possibilities." The document also outlines the most important paths for increasing the degree of processing, prescribes in material management the creation of products which suit the high quality requirements of the age, making possible less wasteful use of material and increasing reliability and life expectancy. This trend is well supported by the international finished product-raw material price ratios developing today.

#### Processing Industry

A swift spread of the elements of modern technology is necessary in the phases of processing work, which presumes a broad development of electronics, automation and robot technology. The adoption of new technological processes is planned, for example flexible molding, use of biotechnology, etc. Exploiting the possibilities of the international division of labor the work phases requiring lower intellectual and greater live work expenditures must be abandoned and these needs must be satisfied from imports.

The goal is clear: We must achieve a general renewal in the processing industry which will help expedite bridging the technological gap existing in regard to the developed industrial states and which will contribute to improving competitiveness. Only in this way can we effectively pay for our imports, increase the security of them and restore our terms of trade.

In our age the most dynamically developing branch of the processing industry in the world is the machine industry, which is an export-centric branch. The machine industry makes the most economical use of material and energy, makes



possible the achievement of a high intellectual content in the products, produces a relatively high net value and aids the relatively swift repayment of investments. Development of it will pay only if it is competitive on the international market and makes possible the development of lasting contacts.

With its present product composition our machine industry exploits these advantages to only a modest degree. The great majority of the products fall in a commercial quality bracket where the plus factor provided by high technology does not appear; indeed, compared to the competitors, which are firms already into the market, we can sell only at a price loss. Thus the export price index improvement appearing among machine industry products is not realized for the Hungarian products, and the terms of trade deteriorate further.

Under such circumstances we might hazard this question, which seems absurd: Given the technological level and product structure, is not the share of the machine industry excessively large in producing the national income? The very fact that we can formulate this question at all suggests that the machine industry needs a renewal of equal magnitude to that which took place in Hungarian agriculture in the past two decades. And there is no denying that by and large there is a need for an "injection" of developmental resources on the same scale as the agricultural sector enjoyed in this period.

Is there a chance that this "jolt" will aid the renewal? Yes. Not only do international examples make it probable, it is also made probable by the fact that there are "islands" of developed technology, modern, strategic products, in virtually every enterprise. Expanding these, however, is not only a question of money, it also requires a modernization of the managerial medium. Accelerating the processes of innovation presumes not only an expansion of technological import, it also presumes an increase in the effectiveness of domestic research.

The dynamic branch of the processing industry is large industry, which has been developing evenly in recent years despite minor business cycle shocks. The pace of modernizing the product structure must be accelerated in this branch of industry also because only in this way can the effectiveness of export be increased and only in this way can we achieve a higher level utilization of primary materials and energy.

#### Light Industry Losses

Despite the great traditions of light industry and the reconstruction of it carried out in earlier years it also is in a structural crisis. It is struggling with a constant shortage of manpower, it has not been able to exploit its capacity even with the stronger foreign demand today. Under such circumstances greater scope than heretofore must be given to natural selection, which would make possible a reduction in the sources of deficits. The chances for a transformation are realistic, if progress is made in producing quality products and in the international offering.

The Achilles heel in the development of the processing industry is solving the background industry problem.



It appears from the background industry policy thinking that this activity cannot be treated as a separate, decided branch; it is part of commodity production, the development of which is fundamentally determined by the place it occupies in the division of labor. The development of a separate background industry regulation is not justified, because background industry activity can be encouraged if suitable price and income ratios develop among the links of the division of labor chain. An important task falls on the small and medium enterprises in easing the problems and in placing cooperation with the large enterprises on new foundations; it is a basic requirement that we create conditions for establishing new undertakings and, before all else, strengthen competition in this sphere of industry. It would also aid this if it were possible to organize the background industry activity being done in the large organizations as independent undertakings. We must do better in exploiting the possibilities offered by CEMA integration. There have been a number of positive examples of this in recent years.

Greater emphasis in this area must be put to import competition, depending on the status of the international payments balance. More and more we must develop capacity which not only improves domestic supply but also expands the possibilities of export.

Industrial policy places great emphasis on the idea that the renewal--especially in the processing industry--should be followed by organizational and guidance changes which will create flexible organizations which adjust well to the tasks; the democracy of guidance must be strengthened. The decentralization taking place and the new leadership forms are things of this type.

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## HUNGARY

## CHANGES IN RATING OF TOP 100 INDUSTRIAL ENTERPRISES PUBLISHED

Budapest FIGYELO in Hungarian 29 Aug 85 pp 3-4

[Text] In 1984 there were more changes in the list of Hungary's top 100 enterprises than there had been in 1983. That is the conclusion to be drawn from the list which FIGYELO has compiled in cooperation with the Central Statistical Office. The list also shows the changes in the composition of the Club of 100.

Ranked on the basis of their 1984 output in value terms, the list of enterprises comprising the Club of 100 shows four new club members: the Paks Nuclear Power Plant Enterprise, in 54th place; the Dorog Coal Mines, in 94th place; the Szolnok Megye Livestock Trading and Meat Industry Enterprise, in

## List of Trusts

Rank by output value		Name of trust	Rank by 1984			
84	83		Per- son- nel	Gross fixed assets	Export sales	Domes- tic sales
1	1	National Petroleum & Gas Industry Trust (Orszagos Koolaj es Gazipari Troszt)	2	2	1	1
2	2	Hungarian Power Plants Trust (Magyar Villamosmuvek Troszt)	1	1	8	2
3	3	Livestock Trading & Meat Industry Trust (Allatforgalmi es Husipari Troszt)	3	5	2	3
4	4	Grain Trust (Gabona Troszt)	5	4	7	4
5	5	Hungarian Aluminum Industry Trust (Magyar Aluminiumpari Troszt)	6	3	3	5
6	6	Dairy Industry Enterprises Trust (Tejipari Vallalatok Trosztje)	7	7	5	6
7	7	Farm & Food-Industry Machine Building and Service Enterprises Trust (Mezogazdasagi & Elelmiszeripari Gepgyarto es Szolgaltato Vallalatok Trosztje)	4	8	4	8
8	8	Distilleries Trust (Szeszipari Vallalatok Trosztje)	9	9	6	7
9	9	Brick & Tile Industry Trust (Tegla- es Cserepipari Troszt)	8	6	9	9

Rank by output value		List of Enterprises		Rank by 1984			
84	83	Name of enterprise	Per- son- nel	Gross fixed assets	Export sales	Domes- tic sales	
1	1	Danube Petroleum Industry Enterprise (Dunai Koolajipari Vallalat)	83	9	2	1	
2	2	Great Alfold Petroleum & Natural Gas Ent. (Nagyalfoldi Koolaj- es Foldgastermelo Vallalat)	3	12	80	2	
3	3	Hungarian Railroad Car & Machine Factory (Magyar Vagon- es Gepgyar; Raba)	13	5	3	20	
4	4	Icarus Body and Vehicle Factory (Ikarus Karosszeria- es Jarmugyar)	29	41	1	.	
5	6	Tisza Chemical Combine (Tiszai Vegyi Kombinat)	.	7	7	5	
6	5	Tisza Petroleum Industry Enterprise (Tiszai Koolajipari Vallalat; TIFO)	29	30	33	3	
7	7	Danube Iron Works (Dunai Vasmu)	12	3	10	7	
8	8	Paper Industry Enterprise (Papiripari Vallalat)	7	8	53	4	
9	9	Lenin Metallurgical Works (Lenin Kohaszati Muvek)	5	4	12	9	
10	11	Videoton Electronics Enterprise (Videoton Elektronikai Vallalat)	2	42	4	42	
11	14	Vegetable Oil Industry & Detergent Pro- ducing Enterprise (Novenyolajipari es Mososzergyarto Vallalat)	96	52	8	26	
12	10	Ozd Metallurgical Works (Ozdi Kohaszati Uzemek; OKU)	9	20	13	15	
13	12	Csepel Automobile Factory (Csepel Autogyar)	17	43	52	10	
14	13	Borsod Chemical Combine (Borsodi Vegyi Kombinat)	26	11	19	16	
15	20	Szekesfehervar Light Metal Works (Szekesfehervari Konnyufemmu)	67	17	20	18	
16	15	Taurus Rubber Industry Enterprise (Taurus Gumipari Vallalat)	14	37	11	33	
17	21	Kobanya Pharmaceutical Factory (Kobanyai Gyogyszerarugyar)	34	34	5	83	
18	16	Budapest Municipal Gas Works (Fovarosi Gazmuvek)	98	28	.	12	
19	18	Danube Thermal Power Plant Enterprise (Dunamenti Hoeromu Vallalat)	.	14	.	13	
20	22	Tungaram Corporation	1	26	6	.	

## List of Enterprises (continued)

Rank by output value	84	83	Name of enterprise	R a n k b y 1 9 8 4			
				Per- son- nel	Gross fixed assets	Export sales	Domes- tic sales
21	19		Hungarian Power Plants Trust (Magyar Villamosmuvek Troszt)	.	.	.	14
22	23		Cement and Lime Works (Cement es Meszmuvek)	24	2	.	27
23	24		Tisza Power Plant Enterprise (Tiszai Eromu Vallalat)	.	16	.	17
24	27		Glass Industry Works (Uvegipari Muvek)	6	29	56	25
25	25		Chinoin Pharmaceuticals & Chemicals Fac- tory, Ltd (Chinoin Gyogyszer es Vegy- eszeti Termekek Gyara, Rt)	44	56	9	.
26	28		Pet Nitrogen Works (Peti Nitrogen Muvek)	68	13	14	55
27	30		Nitrochemical Industrial Plants (Nitrokemia Ipartelepek)	47	48	46	31
28	26		Trans-Tisza Gas Distribution Enterprise (Tizsantuli Gasszolgaltrato Vallalat, TIGAZ)	88	58	.	19
29	31		Ganz-Mavag Locomotive, Railroad Car & Machine Factory (Ganz-Mavag Mordony-, Vagon- es Gepgyar)	11	19	22	41
30	32		Petroleum and Natural Gas Producing Ent. (Koolaj & Foldgazbanyaszati Vallalat; KPV)	51	31	.	22
31	35		Hungarian Cable Works (Magyar Kabel Muvek; MKM)	84	47	32	34
32	17		Komarom Petroleum Industry Enterprise (Komaromi Koolajipari Vallalat)	.	65	94	28
33	29		Csepel Works Metalworking Plant (Csepel Muvek Femmu)	.	54	68	37
34	33		Joint Enterprise for the Concentration of Metallurgical Raw Materials (Kohaszati Alapanyagelokeszito Kozos Vallalat)	87	80	.	32
35	36		Csepel Works Iron & Steel Mill (Csepel Muvek Vasmu)	75	51	57	39
36	37		Tatabanya Coal Mines (Tatabanyai Szenbanyak)	10	23	.	36
37	42		United Pharmaceutical & Chemical Factory (Egyesult Gyogyszervegyeszeti Gyar)	64	59	16	.
38	41		Ajka Alumina & Aluminum Factory (Ajka Timfoldgyar es Aluminiunkoho)	94	40	15	.
39	40		Budapest Confectionery Enterprise (Budapest Edesipari Vallalat)	100	.	.	35
40	39		Szeged Salami Factory & Meat Combine (Szegedi Szalamigyar es Huskobinat; PICK)	.	.	30	70



List of Enterprises (continued)

Rank by output value	84	83	Name of enterprise	Rank by 1984			
				Per- son- nel	Gross fixed assets	Export sales	Domestic sales
41	43		Gyula Meat Combine (Gyulai Huskombinat)	.	.	29	71
42	52		Gyor-Sopron Megye Livestock Trading and Meat Industry Ent. (Gyor-Sopron Megyei Allatforgalmi es Husipari Vallalat)	.	.	26	97
43	46		Diosgyor Machine Factory (Diosgyori Gepgyar; DIGEP)	20	60	18	.
44	51		Gagarin Thermal Power Plant Enterprise (Gagarin Hoeromu Vallalat)	.	16	.	38
45	48		Papa Meat Combine (Papai Huskombinat)	.	.	25	98
46	34		Budapest Meat Industry Enterprise (Budapesti Husipari Vallalat)	.	.	61	53
47	44		Borsod Coal Mines (Borsodi Szenbanyak)	4	39	.	40
48	49		Medicor Works (Medicor Muvek)	19	89	21	.
49	61		Szekszard Meat Industry Enterprise (Szekszardi Husipari Vallalat)	.	67	23	.
50	38		Hungarian Shipyard and Crane Factory (Magyar Hajó- es Darugyar)	21	50	17	.
51	47		Budaprint Cotton Printing Industry Ent. (Budaprint Pamutnyomóipari Vallalat)	15	41	43	73
52	58		Refrigeration Equipment Factory (Hutogepgyar)	39	84	34	84
53	55		Zala Petroleum Industry Enterprise (Zalai Kőolajipari Vallalat)	.	.	55	61
54	.		Paks Nuclear Power Plant Enterprise (Paksi Atomeromu Vallalat; PAV)	.	1	.	43
55	56		Concrete & Reinforced-Concrete Ind. Works (Beton- es Vasbetonipari Muvek)	28	57	.	44
56	53		Salgotarjan Metallurgical Works (Salgotarjani Kohászati Üzemek)	79	86	.	50
57	63		Borsod-Abaúj-Zemplén Megye Livestock Trading & Meat Industry Enterprise (Borsod-Abaúj-Zemplén Megyei Allatforgalmi es Husipari Vallalat)	.	.	47	91
58	57		Budapest Dairy Industry Enterprise (Budapesti Tejipari Vallalat)	.	.	.	74
59	50		Mecsek Coal Mines (Mecseki Szenbanyak)	8	24	.	45
60	54		Tisza Chemical Works (Tiszamenti Vegyimuvek)	.	74	.	54

## List of Enterprises (continued)

Rank by output value	84	83	Name of enterprise	R a n k b y 1 9 8 4			
				Per- son- nel	Gross fixed assets	Export sales	Domes- tic sales
61	59		Veszprem Coal Mines (Veszpremi Szenbanyak)	16	38	.	47
62	62		Graboplast Cotton Mill & Synthetic Leather Factory of Gyor (Graboplast Gyori Pamut- szovo es Muborgyar)	95	85	54	68
63	45		Compack Commercial Packaging Enterprise (Compack Kereskedelmi Csomagolo Vallalat)	.	.	.	51
64	60		Budapest Thermal Power Plant Enterprise (Budapesti Hoeromu Vallalat)	.	36	.	46
65	72		Beloianisz Telecommunication Equipment Factory (BHG Hivadastechnikai Vallalat)	18	87	31	.
66	64		South Alfold Gas Distribution Enterprise (Delalfoldi Gazszolgaltato Vallalat)	.	91	.	48
67	68		Budapest Chemical Works (Budapesti Vegyimuvek)	.	.	.	52
68	69		Kaposvar Meat Combine (Kaposvari Huskombinat)	.	61	35	.
69	73		Cotton Spinning Enterprise (Pamutfonoipari Vallalat)	38	63	.	62
70	65		Matra Foothills Coal Mines (Matraaljai Szenbanyak)	32	35	.	49
71	78		Hajdu-Bihar Megye Livestock Trading & Meat Industry Enterprise (Hajdu-Bihar Megyei Allatforgalmi es Husipari Vallalat)	.	.	39	.
72	76		Baranya Megye Livestock Trading & Meat Industry Enterprise (Baranya Megyei Allat- forgalmi es Husipari Vallalat)	.	.	44	.
73	70		Ganz Electrical Works (Ganz Villamosagi Muvek)	35	64	48	93
74	77		North Hungary Chemical Works (Eszakmagyarorszagi Vegyimuvek)	.	71	60	79
75	84		Pest-Nograd Megye Livestock Trading & Meat Industry Enterprise (Pest-Nograd Megyei Allatforgalmi es Husipari Vallalat)	.	.	84	89
76	67		Petroleum Prospecting Enterprise (Koolajkutato Vallalat)	80	53	.	58
77	74		Hungarian Refrigeration Industry Ent. (Magyar Hutoipari Vallalat)	57	49	79	81
78	75		Household Textile Ent., Szombathely (Lakastextil Vallalat; LATEX)	31	78	.	60
79	83		Hungaria Plastics Fabrication Enterprise (Hungaria Muanyagfeldolgozo Vallalat)	.	77	.	66
80	88		Biogal Pharmaceutical Factory (Biogal Gyogyszergyar)	.	.	72	78

## List of Enterprises (continued)

Rank by output value	84	83	Name of enterprise	R a n k b y 1 9 8 4			
				Per- son- nel	Gross fixed assets	Export sales	Domes- tic sales
	81	85	Alkaloid Chemical Factory (Alkaloida Vegyeszeti Gyar)	.	.	42	.
	82	81	Hungarian Optical Works (Magyar Optikai Muvek; MOM)	22	75	36	.
	83	82	Buda Varnish, Paint & Synthetic Resin Factory (Budalakk- Festek es Mugyanyaggyar)	.	.	.	59
	84	80	Machine-Tool Industry Works (Szerszamegyipari Muvek; SZIM)	41	72	40	.
	85	79	Oroszlany Coal Mines (Oroszlanyi Szenbanyak)	23	33	.	63
	86	86	Keckemet Poultry Processing Enterprise (Keckemeti Baromfifeldolgozo Vallalat)	.	.	28	.
	87	71	Precision Mechanics Enterprise (Finommechanikai Vallalat; FMV)	50	.	27	.
	88	66	Budapest Power Utility (Budapesti Elektromos Muvek)	90	10	.	6
	89	99	Budapest Leather Industry Enterprise (Budapesti Boripari Vallalat)	.	.	.	67
	90	97	Caola Cosmetics & Household Chemicals In- dustry Enterprise (Caola Kosmetikai es Hastartasvegyipari Vallalat)	.	.	.	69
	91	94	Kobanya Brewery (Kobanyai Sorgyar)	72	79	.	24
	92	96	Bekes Megye Grain Trading & Milling In- dustry Enterprise (Bekes Megyei Gabona- forgalmi es Malomipari Vallalat)	.	.	.	76
	93	95	Central Trans-Danubian Gas Distribution Enterprise (Kozepdanantuli Gasszolgaltato Vallalat; KOGAZ)	.	94	.	64
	94	.	Dorog Coal Mines (Dorogi Szenbanyak)	30	99	.	65
	95	90	Almasfuzito Alumina Factory (Almasfuzitoi Timfoldgyar)	.	66	24	.
	96	89	Hungarian Silk Industry Enterprise (Magyar Selyemipari Vallalat)	40	83	87	95
	97	93	Peremarton Chemical Industry Enterprise (Peremartoni Vegyipari Vallalat)	.	.	.	77
	98	.	Szolnok Megye Livestock Trading & Meat Industry Enterprise (Szolnok Megyei Al- latforgalmi es Husipari Vallalat)	.	.	.	.
	99	.	Hajdusag Industrial Works (Hajdusagi Iparmuvek; HIM)	91	.	.	80
100	87		North Trans-Danubian Power Supply Ent. (Eszakdanantuli Aranszolgaltato Vallalat)	71	15	.	8

98th place; and the Hajdusag Industrial Works, in 99th place. The Paks Nuclear Power Plant Enterprise's investment projects were commissioned in 1984, and it practically shot up to midfield on the list. In 1983, only two enterprises were added to the list: one a new enterprise, the other a returning one.

In contrast to only two dropouts in 1983, four enterprises departed from the Club of 100 in 1984: the December 4th Wire Works (December 4 Drotmuvek), the Tisza Shoe Factory (Tisza Cipogyar), the Trans-Tisza Power Supply Enterprise (Tiszentuli Aramszolgalato Vallalat), and the Foundry Enterprise (Ontodei Vallalat).

There has not been any change since 1980 in the enterprises that lead the field. The Danube Petroleum Industry Enterprise heads the list also in 1984, followed by the Great Alfold Petroleum and Natural Gas Enterprise. The Hungarian Railroad Car and Machine Factory retains third place, followed by Icarus. The Tisza Chemical Combine has advanced to 5th place, from 6th place in 1983, and is now ahead of the Tisza Petroleum Industry Enterprise.

For the first time since 1981, a new enterprise appears in 1984 among the top 10 industrial enterprises: the Videoton Electronics Enterprise ranks 10th, having displaced the Ozd Metallurgical Works (now 12th).

In the ranking of the enterprises by output in value terms, the meat industry enterprises continued their rapid gains that began in 1983. The Szekszard Meat Industry Enterprise, which surged ahead 26 places in 1983, has gained 12 more places in 1984 and is now among the enterprises in midfield (it ranks 49th). Next in descending order of the number of places gained come the Gyor-Sopron Megye Livestock Trading and Meat Industry Enterprise, and the Budapest Leather Industry Enterprise, each with a gain of 10 places; and the Pest-Mograd Megye Livestock Trading and Meat Industry Enterprise, with a gain of nine places. The Biogal Pharmaceutical Factory continued its advance, with a gain of eight places; and so did the Beloiannisz Telecommunications Equipment Factory, with seven places.

It appears that the loss of momentum by the power supply enterprises in 1983 was more than just a temporary phenomenon. This is the conclusion we may draw from the fact that in 1984 the Budapest Power Utility fell behind by 22 places; and the North Trans-Danubian Power Supply Enterprise, by 13. Other significant losses of position occurred at the Compack Commercial Packaging Enterprise (18 places), the Komarom Petroleum Industry Enterprise (15 places), the Hungarian Shipyard and Crane Factory (12 places), and the Mecsek Coal Mines (nine places). It is noteworthy that, among the top 100 enterprises by output in value terms, there are two enterprises fewer that belong among the largest enterprises also on the basis of export sales; at the same time, the number of enterprises that are at the top also on the basis of domestic sales has increased by one. Whereas the top 100 industrial enterprises' export dependence increased in 1983, in 1984 it seems to have weakened somewhat.

Among the top enterprises ranked by output in value terms, the number of enterprises that are included among the top 100 also on the basis of other indicators developed as follows:



Table 1

<u>Indicators</u>	<u>Number of enterprise</u>		
	<u>1982</u>	<u>1983</u>	<u>1984</u>
Number of employees	58	58	60
Value of fixed assets*	73	73	74
Export sales	56	61	59
<u>Domestic sales</u>	82	79	80

\*Stock on 1 January, not including fixed assets for cultural and welfare services.

In 1983 and also in 1984, among the top 100 there were 25 enterprises that qualified as club members on the basis of all five indicators. But none of these 25 ranked first on the basis of all five indicators.

In 1984, just as in 1983, the greatest rearrangement occurred in the enterprises' rank by export sales. The Tisza Petroleum Industry Enterprise advanced 31 places; the Csepel Works Iron and Steel Mill, and the Telecommunications Equipment Cooperative (Hiradastechnikai Szövetkezet), 15 places each; the December 4th Wire Works (which incidentally dropped out from the Club of 100), 14 places; the Budapest Food-Industry Machine Building and Installation Enterprise (Budapest Élelmiszeripari Gépgyár és Szerelő Vállalat), and the Factory for Drives and Paint-Spraying Installations (Hajtóművek és Festőberendezések Gyára), 13 places each; the Graboplast Cotton Mill and Synthetic Leather Factory of Győr, and the Hungarian Refrigeration Industry Enterprise, 12 places each; the Győr-Sopron Megye Livestock Trading and Meat Industry Enterprise, and the Hungarian Cable Works, 11 places each; and the Ganz-Mavag Locomotive, Railroad Car and Machine Factory, 10 places. But the Komárom Petroleum Industry Enterprise practically nosedived, losing 58 places; and the Great Alfold Petroleum and Natural Gas Enterprise lost 19 places. The Budapest Meat Industry Enterprise, and the Debrecen Poultry Processing Enterprise (Debreceni Baromfifeldolgozó Vállalat) each fell back 17 places on the list of enterprises rated by export sales. The Bakony Metal Fixture and Electrical Appliance Works (Bakony Fém- és Elektromoskészülék Művek) fell back 12 places; the Szabaria Shoe Factory (Szabaria Cipőgyár), 11 places; and the Nyíregyháza Cannery (Nyíregyházai Konzervgyár), 10 places. At the head of the list, among the enterprises with export sales of over 10 billion forints, the Danube Petroleum Industry Enterprise overtook and passed the Rába Hungarian Railroad Car and Machine Factory. Interestingly, many of the enterprises that improved their position on the list based on export sales--for example the Labor Instrument Industry Works (Labor Műszeripar Művek), the Fine Fittings Factory (Finomszerelvénygyár) or Mechanical Works (Mechanikai Művek)--do not qualify as club members on the basis of output in value terms.

The changes in rank by export sales, which sensitively reflect the effects of market forces, seem to be less evident in the changes in the enterprises' rank by the size of their personnel or by the value of the fixed assets they hold. On the basis of fixed assets, the Paks Nuclear Power Plant Enterprise has shot up to first place, from 85th place in 1983, while the Microelectronics Enterprise (Mikroelektronikai Vállalat) advanced 18 places.

In rank by the number of employees, the Orion Radio and Electrical Enterprise (Orion Radio és Villamosági Vállalat) advanced 17 places; and the Trans-Tisza

Power Supply Enterprise, 11 places. On the other hand, the Factory and Machinery Installation Enterprise (Gyár- és Gépészeti Vállalat) fell back 11 places; and the Budapest Baking Industry Enterprise (Fővárosi Sütőipari Vállalat), 10 places.

The changes are somewhat more lively in how the enterprises rank on the basis of their domestic sales. As a new member of the club, the Paks Nuclear Power Plant Enterprise ranks 43d. The Pest Megye Plastics Industry Enterprise (Pest Megyei Műanyagipari Vállalat) has advanced 13 places; and the Gyula Meat Combine, eight places. But the Győr Distillery Enterprise (Győri Szeszipari Vállalat) has fallen back 14 places to rank 100th. The Hungarian Silk Industry Enterprise, the Budapest Meat Industry Enterprise, and the Compack Commercial Packaging Enterprise each lost 11 places. And the Komárom Petroleum Industry Enterprise, the Foundry Enterprise, the Szolnok Megye Grain Trading and Milling Industry Enterprise (Szolnok Megyei Gabonaforgalmi és Malomipari Vállalat), and the Metallurgical Plant Construction Enterprise (Kohászati Gyárepítő Vállalat) have fallen back 10 places each.

Table 2. Changes in the Enterprises' Rank on the Basis of the Five Indicators

Indicators	Shifts by 3 or more places	Limits of shifts (places)
Personnel	30	+17 -10
Value of fixed assets	31	+84 -8
Domestic sales	50	+13 -14
Export sales	56	+31 -58
Output in value terms	53	+12 -22

The data in Table 2 also appear to confirm the assumption that shifts in the enterprises' rank based respectively on personnel and fixed assets tend to follow to a lesser extent the rearrangement by sales that occurs as a result of market forces. Incidentally, the changes in the enterprises' rank in 1983 showed the same trends. Only one enterprise (as compared with three in 1983) has been able to reach the category of over 10 billion forints of output, and two enterprises have made the category of 5 to 10 billion forints of output.

Table 3. Breakdown of the Top 100 Industrial Enterprises by Value Categories (Number of Enterprises)

		B i l l i o n f o r i n t s				
Indicators		10+	5-10	2-5	1-2	0.5-1
Output in value terms	1983	14	24	62	-	-
	1984	15	26	59	-	-
Gross fixed assets	1983	12	18	42	28	-
	1984	15	20	43	22	-
Domestic sales	1983	9	25	52	15	-
	1984	10	22	67	1	-
Export sales	1983	2	4	19	29	46
	1984	3	6	23	31	37

Table 4. Categories of the Top 100 Industrial Enterprises by Size of Personnel  
(Number of Enterprises)

	<u>1983</u>	<u>1984</u>
Over 10,000 employees	16	16
5,000 to 10,000 employees	30	26
2,000 to 5,000 employees	54	58

In addition to the top 100 industrial enterprises, we examined separately the industrial trusts. There has been no change in how they rank on the basis of output in value terms, and of the size of their personnel. In terms of fixed assets, the Dairy Industry Enterprises Trust has advanced one place, and the Farm and Food-Industry Machine Building and Service Enterprises Trust has fallen back one place. In terms of domestic sales, the Hungarian Aluminum Industry Trust has forged ahead of the Dairy Industry Enterprises Trust. While in terms of export sales, the National Petroleum and Gas Industry Trust has bumped from first place the Livestock Trading and Meat Industry Trust.

Eight of the nine industrial trusts had over 10,000 employees each, and one had between 5,000 and 10,000 employees.

Lacking the enterprises' balance sheets, we are unable to present a picture of the changes in how the enterprises rank on the basis of their profitability.

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HUNGARY

STIFFER PENALTIES URGED FOR BUSINESS WHICH CIRCUMVENTS LAWS

Budapest NEPSZABADSAG in Hungarian 17 Aug 85 p 3

[Article by Dr Tibor Levai, deputy chief prosecutor: "In the Interest of Economic Discipline"]

[Text] One of the main goals of the further development of our economic guidance system is to allow only those economic organizations to succeed and to make deservedly higher profits which adapt to the increased expectations and which function more effectively, not those which attempt to succeed by transgression and circumvention of legal and moral standards.

As a matter of fact, our economic regulatory system appears in the form of legal measures which play a considerable role in helping realize desired economic interests and averting inhibiting factors.

As far as legal regulatory efforts are concerned, they have brought about a rich harvest in recent years. A whole set of high-level legal norms were created by the Parliament, the Presidential Council of the People's Republic and the Council of Ministers reflecting current requirements. Outstanding among them is law IV of 1984 prohibiting dishonest economic activities.

The new standards do not get across into practical life from one day to the other. The guidance, supervisory and control authorities as well as those responsible for applying the law are charged with the political and legal responsibility of realizing, as soon as possible, the will of the legislative body. The "course" of the new regulations must be followed with attention and everything possible must be done to avoid the obstacles appearing underway, to resolve eventual conflicts.

Non-Existing Contracts

It is not widely known by the public that the offices of public prosecutors--as much as they can--through their unique means do take part in insuring the lawful application of the economic laws. While studying and examining the legality of matters before them they consider it their task to uncover violations, to stop them, analyze their causes and initiate the removal of the causes.



For years we have paid close attention to strengthening the contractual discipline among economic organizations and to asserting the responsibility requirements. As you know, every year many hundreds of thousands of contractual legal relations are established among the economic organizations and only a few thousand lawsuits are started for breaking the contract. Nevertheless, the situation is not quite as favorable as this would indicate it to be. It happens that enterprises in monopolistic positions are averse to signing contracts from the beginning in order to avoid any kind of obligations. This way they can avoid penalty payments in the case of non-fulfillment and--according to them--it is the other party's headache that it had been left totally at their mercy in the absence of a contract. It is not rare that entitled enterprises fail to assert their demands derived from breaking a contract and, in the case of continued relations, they overlook the partner's defaults. This behavior is the result of their defenselessness with respect to the stronger party which can be remedied by administrative means only in exceptional cases.

In our view the establishment of contractual relations can become a warranty for the security of production and distribution. It is a fact, however, that the organizational function of economic contracts has not yet evolved sufficiently. The movement of goods and services is merely mediated but is not organized through the contracts. Thus a significant part of product marketing is done without contracts. In such situations, the chance of applying legal means is rather slight. On the other hand, there is a more forceful appearance of objective economic factors, for instance import problems, difficulties with material and energy supply, lack of capacity, etc, in other words, the consequences of "scarcity." Obviously, if such situations arise repeatedly or continually, they produce a chain reaction, bringing the enterprises which are in a vulnerable position into an extremely difficult situation.

We cannot remedy this undesirable phenomenon with the means available to the prosecutor. However, we are supporting the directive of the Supreme Court according to which the economic-organizing power of contracts must be increased in practice. Thereby, it must be made easier for economic organizations to enter into contracts, attempts must be made to remove hindrances standing in the way and to reach the point where an increasingly smaller fraction of the trade is conducted without contracts.

#### Against Profiteering

Public prosecutors participate in a small fraction of the already initiated economic lawsuits--mostly where this is justified by important public interests--and, appearing in court with their suggestions, they try to promote the rendering of correct judgment. In the course of their appearance, they also watch for evidence of attempts at profiteering on the part of one or another economic organization. Namely, instead of working more efficiently, making justified changes in product structure, engaging in technical development, etc, the individual enterprises frequently attempt to increase their profits, in certain cases at the expense of their partners and ultimately at the expense of the national economy. The increasing stringency of the economic regulators has quickened the attempts at gaining unlawful profits.

The attention of the prosecutors was also drawn to this fact and, therefore, both within and outside of the lawsuits, we are searching for evidence of lawbreaking tendencies interfering with economic policy goals and with the solution of national economic tasks. A good example is the lawsuit between Nikex and Dutep. The parties had entered a partnership contract to build 1,700 apartments abroad. After a while, Nikex petitioned for a modification of the partnership contract because, in the future, it wished to participate in the construction merely on the basis of a commission. After that, Dutep immediately cancelled the partnership contract and announced its withdrawal from the construction project.

In the course of the court action currently in progress, the prosecutor maintained that the judiciary must refuse the suit in order to prevent a greater damage to the national economy. At both levels, the judge's ruling was in agreement with the prosecutor's proposal. The Supreme Court also pointed out in its judgement that the behavior of the parties was basically motivated by the fear that the promising undertaking may possibly turn into a loss. Therefore, instead of undertaking joint action in order to fulfill their obligation toward the foreign client as successfully as possible, the litigating parties are trying to rid themselves of the obligation to each other's detriment. In this case, the prosecutor's office was again guided by the principle that the economic organizations should be fair in entering into contractual obligations and in fulfilling them with respect to both the time and quality agreed upon.

The objectives as to legality, raised by us in the case of economic litigations, were also intended to assert economic discipline. In these cases--among others--we wanted to achieve the goal of a more careful maintenance of integrity by the economic organizations in their legal relationships, of repelling every attempt by the parties to gain unjustified profit through the violation or circumvention of legal measures.

We look upon the institution of the economic court as an important means in the fight against unlawful attempts at profiteering. Within the past 5 years, organizations entitled to do so have initiated 130 economic lawsuits. One third of them was entered by the prosecutor.

#### Unexploited Possibilities

Let us provide two examples to prove that the institution of the economic court is needed:

In several cases, economic fines were levied because hotel industry enterprises had been inappropriately classified, thereby routinely shortchanging the consumers. In certain economic lawsuits it could be determined that customers were overcharged by the construction enterprises. The court, in addition to requiring the provider to refund the unlawfully accepted entrepreneurial profit--for purposes of prevention and "setting an example"--levied an economic fine on the abusing enterprises. In another case, the customers of an industrial enterprise were shortchanged by having to pay unlawful surcharges for quality or speed. Regretfully, we could continue with the list of cases but the above citations suffice for some obvious conclusions.

About fifty organizations entrusted with guidance, supervision and interest representation are entitled to initiate economic fines. Nevertheless, the majority of the ministries, megye councils, control and interest protection organizations involved have not as yet used such disciplinary action. In addition to the prosecutor, the greatest number of processes aimed at levying economic fines were initiated by the Central People's Control Committee, the National Material and Price Office and the Chief Directorate of Control of the Finance Ministry. A more decisive action by the guidance, control, etc organizations involved could provide much help in forestalling and hampering the abuses.

The public prosecutor considers it his task to also cooperate with and support processes initiated by others in the interest of levying fines. We also consider it necessary that, in enterprises ordered to pay economic fines, the problem of individual responsibility should also be thoroughly investigated in every instance and the consequences prescribed in the legal regulations should be applied to those found responsible. This latter requirement is only sporadically fulfilled, the enterprises and cooperatives proceed reluctantly and hesitantly in assessing responsibility. A tolerant behavior is particularly frequent at the cooperatives, especially when the disciplinary and compensatory ruling must be made by the general assembly.

In conclusion, it must be mentioned that the professionals at the enterprises are, unfortunately, aware of the legal infringements found in the economic area, the control organizations notice them while they often fail to take effective measures to stop them. In contrast, the majority of the enterprise workers and a broad segment of the population do not easily recognize the irregularities but they feel their detrimental effects all the more. The often-quoted socialist value system also failed to develop against contract-breaking economic organizations or against individuals responsible for omissions. Together with a broader evolution of enterprise democracy as an institutional system, with a future transformation of the enterprise structure and a better development of the interest system, it is hoped that the economic leaders' sense of responsibility will also increase. Not merely with respect to economic results but also regarding adherence to the rules of socialist economic management.

2473

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## HUNGARY

## RELATION OF INNOVATION TO EXPORTABILITY STUDIED

Budapest FIGYELO in Hungarian 15 Aug 85 pp 1, 3

[Article by Jozsef Nyers: "Innovation and Exportability"]

[Text] The results of industry in the first half of 1985 were more modest than planned. In order to make a better judgment of the annual performance to be expected the KSH [Central Statistics Office] recently carried out a study in two important areas of the processing industry--the machine industry and the clothing industry--broken down in greater detail than usual, at the enterprise level, concentrating on the following: How did technical development expenditures change? Where did developments have results and what sort of results were they? Can we see progress in the renewal of the product structure? How did the utilization of basic production capacity change in connection with capitalist export? What do the annual orders data indicate?

In 1984 the state's industrial enterprises and the industrial cooperatives turned 13.4 billion forints, a sum equal to one percent of the sales receipts, to technical development. There were significant differences in the intensity of technical development by the two branches studied, to the benefit of the machine industry. The expenditures of the machine industry were more than half of the industrial expenditures--6.9 billion forints--amounting to 2.5 percent of the sales receipts of the branch.

The clothing industry is less research intensive, it used only 5 percent of all industrial developmental resources, 0.4 billion forints, amounting to 0.5 percent of the branch sales receipts.

In the first 4 years of the plan period the technical development expenditures of industry increased by an average of about 10 percent per year--with significant variations year by year. The increase in the costs of the machine industry was of similar magnitude, but somewhat more evened out.

The results of the technical development work of the enterprises appears primarily in completed themes, in innovations and in patents. In 1984 they were dealing with about 15,000 themes in industry, of which nearly 10,000 were at machine industry enterprises. In 1984 research on nearly 7,000 themes was concluded in industry, 4,000 of these in the machine industry, and about 90 percent of these were put to use.



## Increasing Developmental Expenditures

The total expenditure for completed research themes in industry in 1984 was 10.8 billion forints, 5.3 billion forints in the machine industry. The step up in development is indicated by the fact that the machine industry enterprises spent more than 20 percent more on research than in the preceding year and the number of developments put into use was greater by 7 percent.

But the effectiveness or efficiency of research and development work really appears in production, in improving competitiveness, in the dynamics of export and in the intensity of product replacement. Such a comparison of expenditures and results gives cause for only moderate optimism. A link cannot be demonstrated between the technical development expenditures and the change in the non-ruble accounting export performance of industry. The more vigorously increasing expenditures were not followed by a similar movement in branch export, not even with a delay of several years. One can conclude with great probability from the data that the backwardness or slow development in the other elements of innovation (investment, marketing, organization, etc.) greatly moderated the effectiveness of these expenditures. Similar to a tendency which could be felt in an earlier period, the increasing technical development expenditures play a necessary role in the technical development of industry, but the role is not of sufficiently significant. In addition to outside circumstances a role is played in this by the fact that the conditions for the generation and use of the technical development fund were more favorable compared to the other resources (the money was softer), the institutional and financial system did not correspond to management based on the efficiency principle.

There is a great spread (0-13 percent) in the ratio of technical development costs enterprise by enterprise. This is a natural consequence of the differing developmental needs of the several areas and, in harmony with this, of the prescriptions connected with fund generation according to which technical development costs can be accounted for in the price of the products on a scale differentiated by products and product groups. In accordance with this a number of enterprises even in the machine industry can generate only a minimal technical development fund while at the research intensive instrument industry and communications engineering enterprises these costs reach 8-10 percent of the sales receipts. In the clothing industry this interval is very narrow and in 1984 it reached one percent at only four enterprises.

In 1984 machine industry enterprises turned ca. 9 percent more to technical development than a year earlier. This cost portion increased for two-fifths of the enterprises, did not change for one-fifth, and decreased for the others. Total sales receipts for the enterprises studied increased last year by 7.2 percent while their non-ruble accounting export increased by only 1.9 percent. The developmental expenditures of enterprises with research intensive profiles increased at a faster pace than the average, but the yield of this did not appear in a faster renewal of products or in an expansion of convertible export. There is a great spread in the enterprise ratios of new products or the modernness of the product structure, and probably this is more closely linked to the magnitude of investment sources than to technical development expenditures. In 1984 nearly half of the convertible accounting export of the

machine industry was realized by those enterprises which conducted less research intensive activity, where the technical development costs are at most 2 percent of the sales receipts. A deterioration in competitiveness is indicated by the circumstance that the export of these enterprises last year fell behind that of the previous year, with decreasing expenditures. The ratio of capitalist sales was highest at those enterprises which worked with R&D expenditures of 3-4 percent; these expanded their non-ruble accounting export by nearly 10 percent in 1984. The convertible accounting export of development intensive enterprises decreased by 5 percent in 1984.

As we have mentioned already, the technical development costs are substantially smaller at the enterprises of the clothing industry. Modernization can be realized with relatively small expenditures; changes adjusting to fashion involve primarily the product and mean technological development to a smaller extent. Some of the latter appear as machine industry product development and the costs of this appear in light industry in the price of the tools of production, as an investment cost.

The great majority of the managing units working with larger specific technical development costs among the enterprises of the clothing industry in 1984 were able to increase their convertible accounting export very dynamically. The convertible export of the clothing industry in 1984 increased by 16 percent at current prices, more quickly than total sales. A number of factors also held back a greater increase in export, such as the mediocre quality of import materials, raw leather acquisition problems, the mediocre technological level, the shortage of skilled manpower, etc. Satisfying the supplemental demand of the socialist countries appearing during the year moderated the convertible accounting commodity base of the shoe industry. The segregated export interest of the primary material manufacturers and the finished goods manufacturers was a confusing factor. Sometimes it was necessary to import the same quality textiles and leather or turn them over for jobwork as the domestic manufacturers were exporting.

It was a common aspect of the non-ruble accounting export of both branches that while the export of the smaller exporters increased less or even decreased, the export of the enterprises shipping more significant volumes increased more dynamically.

The machine industry enterprises used half of their technical development expenditures to modernize their products, for experimental manufacture of new products and to start up production. One fifth of the expenditures served the development of technology and about 30 percent was accounted for on general R&D themes. Licenses and know-how were purchased with 7 percent of all developmental costs; this is lower than the 10 percent ratio which developed at the end of the 1970's.

In the clothing industry the ratio of product development costs was about 40 percent and that of license and know-how purchases was 10-12 percent in past years.

## Slow Product Structure Changes

The differences in product structure change are significant--depending on the character of the activity. Nationally the ratio of new products is substantially greater in the machine industry than in the clothing industry, manufacturing largely consumer goods. But because of the fast changes in fashion the further development and modification of products manufactured earlier is substantially greater in the clothing industry than the industrial and machine industry average.

The renewal of the product structure accelerated somewhat in both branches with the expansion of developmental expenditures. The combined ratio of new, modernized and modified products rose to 21 percent in machine industry sales, from the 18 percent of the previous year. There are considerable enterprise differences behind the average figure. For example, the ratio of products modified or developed in some form did not reach 10 percent for 60 percent of the enterprises and one fifth of the enterprises produced their products in an entirely unchanged form and quality. At the same time, the ratio of new and modernized products exceeded 50 percent at 15 enterprises.

Studies at the enterprise level did not demonstrate an unambiguous link between technical development expenditures and the ratio of new products nationally (as was the case with convertible accounting export). Despite this it could be an obstacle to the future modernization of the product structure that at the majority of those enterprises where they did manufacture with changes or where the ratio of new products considerably exceeded the machine industry average the proportion of technical development expenditures lagged behind that of previous years. Within the machine industry product renewal is most vigorous in the transportation vehicle industry and in the instrument industry.

In the clothing industry the ratio of further developed products in sales decreased a little; it was 25 percent in 1984. Here also--as in the machine industry--the enterprise spread was quite large. At about half of the enterprises, primarily those manufacturing primary materials and yard goods, it was under 10 percent; for one quarter of the producers, primarily those making outerwear and footwear, the ratio of modernized products was above 70 percent. So the product structure is changing a good bit faster at the readymade clothing enterprises than at the primary material manufacturers. Nationally the share of new products in sales is low in the branch as a whole, but the trend is improving. The share of these products was 0.6 percent in 1984, twice what it was in the preceding year; the enterprise values are changing within relatively narrow limits.

The degree of and change in capacity utilization could be an indicative figure in judging innovation, competitiveness and export, although in evaluating it we must remember that a number of factors in addition to the supply of orders play a role in increasing lost time. It is thought provoking that at the machine industry enterprises the majority of the machines and equipment operate for only one shift; the average shift figure for basic machinery is only 1.2. Utilization of the calendar time base is 40 percent and utilization of the work schedule time base is around 75 percent. At one quarter of the



enterprises, including a number of large enterprises, utilization of the calendar time base does not even reach 30 percent, which means that even a single shift use of the machines is not guaranteed. Utilization exceeding half of the calendar time base was characteristic of only 8 percent of the enterprises.

Utilization of the work time base is more favorable in the clothing industry; a two or even three shift work schedule is worked at substantially more sites in the branch; the average number of shifts is 1.6. The calendar time base utilization of the more important basic machinery and equipment is 52 percent and utilization of the time according to the work schedule is around 76-77 percent.

#### Development of Supply of Orders

Even with the moderately strengthening product exchange this year's prospects of the branches studied are not much more favorable than last year. In the first half of the year machine industry and clothing industry production remained essentially at the level of the preceding year. The supply of orders of the machine industry enterprises improved compared to the level at the beginning of the year, the size of the contracts being higher than in the preceding year by more than 5 percent. In June the signed orders in non-ruble accounting were higher than last year's level by 18 percent.

The supply of orders for the textile industry enterprises was worse than last year, demand decreased by 6 percent overall and the relationship differences were great. The value of the non-ruble signed orders was 5 percent lower and that of those in ruble accounting was almost 30 percent lower while domestic demand moderated by 2 percent.

Demand for textile clothing industry products also stagnated; there was a minor drop in the ruble relationship while convertible accounting export and domestic demand picked up somewhat. As of June the contracts of the leather, fur and shoe industry indicated a drop in demand, convertible accounting export will probably pick up, domestic trade orders are increasing also, and demand declined in the other marketing relationships. The orders among the enterprises hardly exceed half of the previous year.

The data characterizing the signed orders of foreign trade enterprises reflect similar trends for the branches studied and for industry as a whole. There would be a need for a significant turn in both the production and trade spheres in order to reach the plan goals. The signs of this do not appear for the time being in the performance indexes or in the orders.

Naturally the status and possibilities of the enterprises studied cannot be judged unambiguously or responsibly on the basis of the above alone. A more profound and many-sided analysis is an organic part of compiling the Seventh 5-Year Plan. But as a summary it can be concluded on the basis of this study that despite the boom which Hungarian machine industry enterprises have enjoyed in capitalist countries they have not been able to really increase their non-ruble accounting export in the past 2 years. In addition to the sharpening competition on the world market and the spreading protectionism a

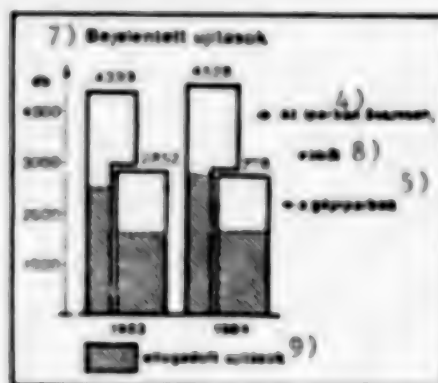
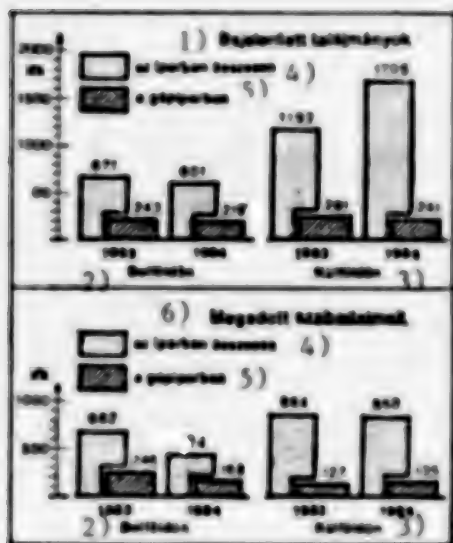


role was also played in this by the fact that the technical development activity of domestic enterprises is not effective enough, the renewal of products is slow and the technical, commercial, service, etc. conditions for competitiveness are not satisfactory.

The machine industry enterprises can be listed in various groups according to their market strategy and the development and prospects of their convertible export. From the viewpoint of the branch a determining role is played by the large enterprises with high profit, modern technology and exportable products. They are capable of continuous exploitation of their capacity by producing products approximating the international level. The circle of industrial enterprises undertaking a prime role in export is expanding; they undertake export delivery of complete systems (medical, agricultural, foodstuffs industry, energetics, etc.) using products they make themselves, usually containing a large intellectual value component. Product development and export capable enterprises relying on their own or an outside research base also have significant production capacity. The technology of products manufactured in series of modest size is modest also, but by taking over modern licenses, with international cooperation and by regrouping their production they can significantly increase their convertible export. The role of the enterprises earning small amounts of foreign exchange is not negligible. They include managing units with good reputations which have used convertible exchange for license purchase or development, they are obliged to produce enough to repay this, but basically they are interested in filling domestic and ruble accounting export orders. But they do not have the capacity to tangibly increase export nor do they have the capital strength necessary for development. The existing production capacity of enterprises which generally do not export is completely tied down by domestic demand, or sometimes by socialist export. The manufacturing base which developed earlier on the basis of different conceptions excludes in advance that they should be able to appear on the capitalist market with their products without development. The circle of enterprises manufacturing parts and subassemblies is relatively narrow, they are only partly suitable for carrying out background industry supply tasks, they are forced to depend on international cooperation, and in this connection they do take part in supplementary capitalist export. It is a characteristic of the service enterprises that they have specialized for material and intellectual services; their activity in itself does not involve large foreign exchange receipts, but without them the competitiveness of Hungarian products would be even less favorable.

The enterprises of the clothing industry considerably expanded their convertible accounting export in 1984. But the prospects for this year and the performance in the first half of the year are less favorable. The majority of the enterprises are counting on approximating last year's export--under the present financial conditions--and are concentrating on a profitable structural conversion, but their steps will probably bring a real improvement in the volume of convertible export only in 1986. It can be hypothesized that for a good few years our enterprises will be capable of manufacturing higher quality products than the industrializing developing countries which are set up for mass production, which are winning an increasing part of the finished goods market with their extraordinarily low price levels. But our relative quality advantage can be maintained only with investments, by increasing technology

and product development. In the longer run, however, the area of products which are worth our while to sell will probably narrow. Cooperation agreements signed with capitalist firms may have an important role in staying on the market. There is a need already for developments which provide stable assurance of higher quality. And the machine park is at least as far behind the vanguard as before the reconstruction carried out 10 years ago.



Number of inventions submitted, patents granted in 1983 and 1984.

Number of innovations in 1983 and 1984.

- Key:
1. Invention submitted
  2. Domestically
  3. Abroad
  4. In industry as a whole
  5. In machine industry
  6. Patents granted
  7. Innovations submitted
  8. Out of this:
  9. Innovations accepted

8984

CSO: 2500/518

HUNGARY

NEW BANKRUPTCY LAW SUFFERS YEAR'S DELAY

Budapest MAGYAR HIRLAP in Hungarian 27 Aug 85 p 7

[Article by Ilona Kocsi: "Assured Security?"]

[Text] The pessimists were right. The passing and introduction of the bankruptcy law which was announced for this year--and which will, of course, be given a more fashionably fitting name--will in all likelihood be delayed until next year. Under economic conditions that guarantee security, employ rescue actions, and are strewn with state guarantees it is no easy matter to introduce drastic new rules. Thus the participants in the Fifth Financial Conference held at the end of last week in Pecs heard only familiar, general principles and well-known notions. This may explain why the interest and the activity was usually scarce.

The third of the four conference sections promised to be the most exciting. It is true that the best attendance was at the section that discussed "Enterprise Revenue Regulation Experiences." But this was due to the fact that many hoped the speakers would "let the cat out of the bag" concerning an expected change, that is, they could be informed. Section two dealt with revenue regulation and development problems in transportation and communications, while section four dealt with timely questions of councilar and budgetary management. Thus all the sections were inquiring into important subjects, but still many predicted at the morning plenary session that feelings would rise at the meeting of section three. The game there would end in "bloodletting," they said. The introduction of the process, called simply the bankruptcy law in common language, will basically alter the rules of economy. Therefore, many managers are interested in getting a word in and having their own ideas accepted to the extent possible. After hearing the news, even a layman could have believed that it would be in the interest of many enterprises to come up with a bankruptcy process accompanied by the easiest consequences. Therefore, those who sat in on the discussions expected a debate, a conflict of views represented by differing interests. But if it did not turn out this way, they expected to pick up information.

## At the Cost of Others

Both expectations remained just that--expectations. Deputy Minister of Finance Gyula Csaki could undertake to discuss general interrelationships since the studies were still continuing on the settlement of the problems which had risen in the meantime. Thus it would have been misleading to outline more specific lines of thought. But even speakers who followed were in favor of more general lines of thinking, and they discussed their own experiences only in broad terms. But if something could have been instructive, it would have been the example of the Politoys Industrial Cooperative. This firm had already once been bankrupt. It would have been helpful to know how they extricated themselves, with what kind of help and at what price. Experience gained in the sale of factories would also have been interesting. The Hungarian Silk Industry Enterprise has used this possibility twice, and thus was able to significantly improve its management conditions. Since those in the audience were experts from enterprises, ministries, research institutes, and so forth, it would have been useful to give an account, at an appropriate level and in detail, of the concrete experiences acquired in the sale process.

This is not how the conference went. Thus the "bankruptcy section," which was predicted to be the scene of great debates, discussed its subject for two hours with exactly one spontaneous comment.

After this long and somewhat negative preliminary, the readers will still certainly be interested in what was in fact discussed during these two hours. Among other things, it was discussed that one of the means of making the economy dynamic is for the strong enterprises to receive greater possibilities for development, and the weaker ones less. This can be realized only at the cost of one or the other. It cannot be imagined that while the deficit or vegetating enterprises are kept alive the possibilities for the strong ones will not be restricted. In fact, they are the ones who earn the money necessary for helping the weak ones, for this money is withdrawn from the strong. Therefore, we must face this problem, since differentiation should be regarded as a natural process in economic life.

## Prolonged Settlement

In the past 5 years, including the current one, about 50 billion forints of revenue were transferred to firms experiencing deficits or fund shortages. This is the demonstrable lower limit, but in totalling all money allowances and supports it may go as high as 90 billion forints. That is to say, the possibilities of the strong enterprises were reduced by that much. At the same time, experience over many years indicates that this sum has grown big from the attempt to settle important, permanent problems. State authorities do not deal with small, temporary problems, for those affected must handle these themselves. With the practice up to now, both the financial burden and the responsibility were transferable. Thus centralization and rearrangement of revenues are high. At the same time,



centralization and rearrangement of revenues are high. At the same time, the settling of deficits and fund shortages was slow, for the participating organizations represented differing interests.

And while the various organs debated, as the argumentation over the method of settlement continued, the enterprises that were in a difficult situation could find themselves facing an even greater crisis. They kept pushing the deficit and the economic difficulties forward from one year to the next, and the problems became worse. Prolonged decisionmaking also reduced the sense of danger and the threat felt by the enterprises; they felt secure that they could count on the settlement sooner or later of their confused financial affairs. If nothing else, the state-guarantee represented an adequate pledge of security. It was in recent years that a concept was formulated of "who" is inefficient, and what may be the consequences if a firm is vegetating because of its own fault. Looking back on the situation as it has developed, it now appears that the series of measures decided on was not a happy one; namely, that after a certain period of patience, resources were withdrawn from firms in an impossible situation. This is like pushing a drowning man down into the water a bit to give him more incentive to save himself. Experience has led us to recognize in Hungary, too, that we must work out a unified process for enterprises that are in trouble. According to these ideas, the Hungarian bankruptcy law should consist of three essential phases: the first is the settlement phase, where the attempt is made to get those affected to arrive at a common denominator. If this does not work, then the economic rehabilitation may begin. But this will be embarked on only if there are important state and national economic interests. If not, then an attempt at reconciliation without success is followed by the liquidation process. But this is a drastic solution which all those affected in all certainty will seek to avoid. Both the debtors and the creditors would be better off if a settlement can be arranged. Or else, the inability of the debtor to pay may set off the whole avalanche of the bankruptcy procedure. This situation may come about not only if a firm is in the red or has a fund shortage, but also if it is overobligated beyond its possibilities, and there is no bank or partner to pay.

#### Composite Solution?

In the future the creditors may also start bankruptcy proceedings--something which was not possible up to now. It is also expected that the principle of proportional indemnity will be realized, that is, everyone will share proportionally in the wealth of the debtor. Priority will be enjoyed at the most by wage-type payments. It is still a question--among other things--how and in what form the creditor's protection of interests can be realized, and what the forum for the entire bankruptcy procedure should be. It is entirely likely that there will be a "composite solution" and that certain phases of the process will be handled in the courts and others in the state administrative bodies. It is also a question how the expected unified process will apply to critical subbranches and to the producer cooperatives.

Certainly, many are most concerned about when the plans for Hungarian bankruptcy proceedings will become reality. It appears that a gradual introduction will be started next year. Meanwhile, we must attend to the training of specialists and the establishment of the related institutional system. For as it was stated at the conference: liquidation is not the goal. It is much more important to develop the mechanism of prevention in order that the problem could be recognized and counter-measures taken in time. To this end, it will in all certainty be necessary to have greater openness, for secrecy and cosmetics applied to figures may boomerang in a given case: those who manage badly keep explaining the record until they not only mislead the highest authorities but they themselves believe there is no trouble. When it must be faced, social supervision demands that problems be remedied, not covered up.

6691

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HUNGARY

PROSPECTS FOR PROFITABLE FOODSTUFF EXPORTS POOR

Budapest NEPSZABADSAG in Hungarian 27 Aug 85 p 3

[Interview with Imre Dunai, deputy minister of foreign trade, by Istvan Gabor Benedek: "Evaluating Agrarian Export"]

[Text] Foodstuff economy has for long years played an important role in our national economy. It played an outstanding role in last year's foreign trade assets and so it can be considered a stabilizing factor. Unfortunately, the picture we get from the data arriving at the Ministry of Foreign Trade at the closing of the first half of this year is not positive; the agriculture and foodstuff industry could only partially meet the objectives within the time frame. Our colleague, Istvan Gabor Benedek talked about the lessons of the first six months with Deputy Minister of Foreign Trade Imre Dunai.

In his introduction the deputy minister, understandably, started with the projections of the plan, pointing out, of course, the exceptionally significant role of the foodstuff industry in improving our trade balance. About one-third of food products is exported, and this makes up 25 percent of the total Hungarian export, and 33-34 percent of the non-ruble export. This year's plan stated that compared to 1984 both ruble and non-ruble sales have to increase.

Products, Prices, Buyers

[Question] With half of the year gone, how realistic do you think the objectives are?

[Answer] If there is an upswing on the capitalist market for the rest of the months of this year, and if we can improve on the export product structure it is conceivable that we can get near the figures in our plan. But the results of the first half year are very weak. Not only did the purchasing desire of our capitalist clients decline, but prices have dropped, and substantially at that. I have to emphasize this because there have been times, even just last year, when Hungarian companies could balance a drop in prices by increasing quantity. It would be futile to try this now. For example, the export quantity of raw meats has dropped by 45 percent along with an 8.3 percent per ton decrease in price. Compared to the first half of 1984 sales of beef cattle have dropped by 15 percent, prices by 25.5 percent, and the export of pig for slaughter decreased by 30 percent, while prices dropped by 22.3 percent.

We could have sold more of slaughtered poultry only, but a temporary product shortage confined our export. To our regret, the egg export has decreased due to exceptionally low world prices. We cannot expect improvement for the rest of the year. Demand for the famous and popular Hungarian goose liver is spotty and unsatisfactory.

In summary, the Common Market does not ease its policy of actual discrimination against our products, and this adversely affects our companies, as their competitiveness is substantially deteriorating. Along with doing everything in our power in the trade world to enforce our valid interests, we have to further improve the market activities of foreign trade and our supply has to be modernized at a faster rate than in the past.

[Question] Let us first talk about our agricultural export to the socialist countries. Data for the first half year have been showing more favorable features in this regard.

[Answer] Indeed it is so. Compared to a similar time period last year, agricultural sales have increased by 11.3 percent, and those of the foodstuff industry have increased by 14.2 percent. Three-quarters of the surplus were purchased by the Soviet Union where we could increase our shipments for several products--for instance, canned vegetables, drinks, apples, pork and sweets.

We figure that our ruble sales are going to continue for the rest of the year according to plans. But at the same time our companies have to prepare themselves for substantially more difficult sales efforts due to inadequate conditions of transportation. Therefore well-planned transportation is going to be of key importance to foreign trade during the coming months.

Starting with the demands and economic conditions of the CEMA countries, we recently sketched out the opportunities for agrarian export for the coming years. It seems to us that our clients keep showing an interest for Hungarian beef, slaughtered hog and split half-hog. As in the past, 70 percent of our canned meat export satisfies demands of ruble-paying countries, while one-fourth of slaughtered poultry going abroad is shipped to our CEMA neighbors. Especially the Soviet Union expects more of this next year.

Our wine and champagne export is still significant--it makes up almost one-third of our agrarian export to ruble-paying countries. Parallel to this one-fifth of the total ruble-income for this export comes from sales of vegetables and fruits. The Soviet Union buys 78-80 percent of processed products, and the annual sales increases are noteworthy. But this rate can only be maintained if our economy pays more attention to quality, improves packaging and fulfills all the contractual agreements.

#### Quality Gets Priority

[Question] How do foreign traders see the capitalist market for the rest of the year? Can we expect a modest boom?



[Answer] Large supplies have been accumulating on the world market, so low prices will not change soon. The Hungarian economy acknowledged this situation, but in a contradictory way. The size of cattle stock is diminishing, and the composition of breeds in many ways does not meet the demands of the foreign market. But in spite of our troubles, we can expect that near-Eastern countries will keep buying our beef cattle and North Africa may turn out to be a market for Hungarian beef. If we are able to offer good quality beef we will be able to sell some--in excess of previous quantities--to Western Europe.

According to our experiences, pork meat is still a popular item. Eighty percent of its convertible currency export goes to countries of the Common Market. However, sales can only be increased through modernization of processing plants. But there is no demand for our slaughtered hogs on capitalist markets. Fortunately, this is not true for our canned ham. Our best buyer is the United States; they are going to buy 16-17,000 tons of it. We could sell even more, but prices cannot be raised. In Western Europe, strong competition keeps prices low. The solution is new, attractive packaging and perfect quality. This demanding market will only buy certain quantities of salami and sausages, and we have not introduced these truly special Hungarian items to the United States.

We made recently a chart of price changes. When we prepared the plan for the industry using prognoses given by companies, we expected a realistic, moderate decrease compared to the past. Something different happened. I have already talked about the rate of decrease. Here are some specifics about individual prices: the price per ton for beef has dropped by \$90-100; for mutton by \$300; for pork \$200-250; and for salami a steep \$1,000. The price of more processed products has decreased as well, for instance, we got \$200 less for canned ham. We know that we are confronted by unrealistic, artificial and manipulated prices, but this knowledge does not change the situation. Our foreign trading companies therefore must more forcefully take advantage of their business opportunities. But for this it is imperative that the domestic industry respond to demands faster and more dynamically.

#### Not Enough Freight Cars

[Question] It seems that grain exporters are more optimistic. Prices of wheat and corn have developed according to prognoses and there was good demand for them. Did more sales offset the loss in selling live cattle and meat?

[Answer] They did not, perhaps just moderated it. In the first half year we sold grain abroad only in the quantity specified in the plan, about one-third of the entire year's export. But for us to meet our contractual obligations, and perhaps sell a little more, we would need twice as many freight cars as we have at our disposal now. From this point of view the conditions of transportation--and I emphasize this again before the coming fall crunch--are worse than ever.

Naturally, the developed Hungarian agriculture can show accomplishments in certain new cultures that in the long run are quite promising. The cultivation

of oily seeds for example, is as successful as the export of vegetable oils. Annual foreign sales of them can be increased at a noteworthy rate, and at that, prices are increasing. If we want to recoup our losses, we should not forget about this.

[Question] In recent times the export of the so-called small articles, among others poppy-seeds, honey and herbs has gained more importance. But our competitors on the market are not idle, either. What do you think our long-range opportunities are in this regard?

[Answer] Just the way we have to prepare ourselves for a more difficult export situation for Hungarian vegetables and fruits because Spain and Portugal are joining the Common Market, we cannot discount the possibility that competition will increase for other, more traditional products as well. But selection and quality defend our position. I will mention red onions as an example: we have succeeded in selling more each year. But there is a market beyond Europe as well: in the United States, in the region of Arab countries and lately in the Far East. But lowering domestic production costs is just as crucial to the increase of export products as is the improvement of the interest system that is closely tied to the modernization of purchase organization. The material conditions--refrigerated carts, refrigerated storage areas, continuous freight availabilities, and quality and among others more and better processed and packaged meat products and vegetable and fruit cans--strongly influence our business opportunities. We all are to blame for a lot of neglect, and it would be a mistake to postpone changes.

Foodstuff export will keep its role. The importance of its proportionate development is therefore unequivocal. All versions of the national economic plan under preparation count on increased production. Its rate will be determined by the available sources, effectiveness and profitability as well as market demands.

[Question] So far we have talked about export only. In our foreign trade balance, however, import plays an important role as well.

[Answer] Let us separate indirect and direct imports. I do not wish to talk about machinery modernizing production in the foodstuff industry, as giving an accurate picture would require extensive and complicated calculations. According to plans--based on a similar period last year--agriculture could count on greater import opportunities. But the actual import has increased more strongly than planned; state farms acquired more tractors, machinery and spare parts. One reason for this is that in past years, characterized by a strong necessity to economize, the means became old and useless as a result of intensive use. We hope that this excess import is going to play a role in future years' increasing export. In an opposing trend--adjusting to the needs of agriculture--foreign trade has purchased less chemical fertilizers and insecticides.

However, as direct import is concerned, agriculture has increased its convertible currency purchases. Because of last year's poor crop we needed a considerable amount of planting seed, particularly hybrid corn, and prices for

this product are rather high. Similarly, due to poor domestic crops we are forced to buy more rice. Import of protein fodder in essence corresponds to plans, and the import of raw ox-hide did not exceed previous estimates, either.

Compared to the first 6 months of 1984, foodstuff import to serve the direct needs of the public decreased slightly--by 3 percent--but this did not create problems in the supply. Well-balanced supplies by socialist countries made foreign trade secure. We hope to increase the import for this product line.

Results of the first half year in agriculture and foodstuff industry indicate a number of things, but neither the accomplishments, nor the failures can be generalized for the entire year. However, the two twin branches are in a difficult situation. But as Imre Dunai, deputy minister, pointed out it is clear that the resolution of increased tasks and remedying negligences require that both of them and foreign trade as well take more responsibility and do work of higher quality than in the past.

12366

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HUNGARY

PRIVATE PLOT PROFITS EXAGGERATED, MISUNDERSTOOD

Budapest OTLET in Hungarian 4 Jul 85 pp 22-23

[Excerpts from a report by Dr Peter Halasz of the Agricultural Economics Research Institute: "How Budapest Workers View Small-Scale Farming"]

[Text] Many people still do not know where to put small-scale farming within socialist agriculture and the socialist economy in general. The sketchy information available on this question occasionally leads to various prejudices, especially among urban residents who are the least informed about this subject. These prejudices and misconceptions may occasionally influence unfavorably the implementation of sound economic-policy concepts, and public opinion as well.

Therefore it is essential that we obtain as clear a picture as possible of what urban residents--particularly the industrial workers among them--know about small-scale farming, what connection they have in general with this form of farm production, and what are their views regarding small-scale farming and small-scale farmers. To this end, pollsters of the Agricultural Economics Research Institute recently surveyed 530 Budapest workers, half of them blue-collar workers. On the basis of the data and information gathered in this survey, Dr Peter Halasz, a staff member of the institute, prepared a study entitled "How Budapest Workers View Small-Scale Farming. The following are excerpts from this study.

More than a fourth of the urban residents and industrial workers themselves engage in small-scale farming, predominantly to supply their own households. In addition, a third would gladly engage in small-scale farming if they had the opportunity to do so. Many help out on the small-scale farms of relatives, usually their parents. And a significant proportion also receives assistance from the small-scale farms, either in produce or in cash.

Is Small-Scale Farming a Topic of Discussion?

More than two-thirds (67.4 percent) of the surveyed urban residents replied that small-scale farming was a topic of discussion within the family or among



friends. This proportion is much greater than the proportion of those who have small-scale farms of their own, and it is greater than even the proportion of those whose relatives engage in small-scale farming. Which means that even the urban residents who otherwise do not have any direct contact with this mode of farming are interested in this question and think about it.

#### Profitability of Fattening Hogs

When we speak of the profitability of small-scale farming, here and hereinafter we have in mind the total personal income that includes remuneration for the work performed, the return on investment, and the entrepreneur's profit. The profitability of fattening hogs varies over a wide range because very many factors influence it. Namely, the price of the starter pigs, the cost of the feed consumed (mixed feed, feed grain), the weight to which the hogs are fattened, whether or not the hogs are intended for export; furthermore, a variety of additional factors ranging from the investment cost of the pigpen to the expenditures for veterinary health. Thus the net income from the sale of a fattened hog of average weight (between 100 and 200 kilograms) is usually 400 to 500 forints; with good luck, this net income may go as high as 800 forints. The following is the percent breakdown of the answers to our question as to how much income can be earned by fattening 50 hogs:

<u>Thousand forints</u>	<u>Percent</u>
Up to 20	0.9
21 to 40	14.6
Up to 40	15.5
40 to 60	23.0
60 to 80	19.3
80 to 100	20.4
Over 100	21.7
Over 80	38.5
Acceptable answers	38.5
Unacceptable answers	61.5
Total answers	100.0
N [number]	460

Seventy persons in the sample population did not answer this question. Hence 86.8 percent of the sample population felt able to answer it. This self-confidence is praiseworthy, but by no means so well founded. For fewer than a sixth of those who ventured to answer the question gave the correct answer, and fewer than 40 percent gave an acceptable answer. The important thing on this occasion, however, is not whether the answers were correct or incorrect, but that 61.6 percent of the respondents attribute extremely high incomes to small-scale farmers who fatten hogs. Especially striking is the fact that more than a fifth of the respondents imagine that the income from fattening hogs is much higher than what would be realistic.

Thus our survey reveals considerable ignorance in this respect. And this ignorance can be attributed, at least in part, to one-sided reporting by our news media. Our newspapers will carry several reports when the procurement price of hogs is raised (sometimes perhaps only by the seasonal surcharge that

remains in effect only a few weeks). But public opinion is not informed practically at all that in most cases the income from fattening a hog for 6 months does not amount even to a day's wage.

#### Is the Small-Scale Farmer's Income Unearned Income?

The income from small-scale farming is undeniably based on extra work. And not very productive work at that, if we consider the low level of small-scale farming's technical development.

Yet, a recurring question before forums at various levels--and occasionally it is laden with ulterior motives--is whether the attainable income from small-scale farming is justifiable and warranted. Or, to put it more bluntly, whether it is fair income. For this very reason we deemed it important to find out how urban industrial workers view incomes from small-scale farming. Around 15 percent of the respondents felt that small-scale farmers were getting unearned income, but 85 percent felt that small-scale farmers deserved their income. Under our social system, where the work performed is one of the most important basis of the distribution of wealth, it is especially significant that a small, but by no means negligible, proportion of the urban population regards the incomes of small-scale farmers as partially or entirely unwarranted.

#### Small-Scale Farming and the Nation's Food Supply

As was to be expected, only the truly most prejudiced urban residents agreed with the pollster's statement that the nation's food supply would be just as good even without small-scale farming. Their number was barely more than 4 percent of the total number of respondents. Indeed, one has to have a good measure of prejudice to agree with the above statement. For although not everyone is perhaps aware that small-scale farming is supplying roughly a third of the total farm output, he must at least realize that the remainder after subtraction will necessarily be less than the original amount. On this occasion, however, we were expecting "emotionally motivated" rather than "logical" answers. Therefore, this "different opinion" of 4.2 percent of the respondents is very edifying, and we can only regret that our analysis is limited by the small number of respondents. What we may establish at any rate is that these are the respondents who are opposed, literally without due reflection, to the institution of small-scale farming.

#### Feasibility of Large-Scale and Small-Scale Farming's Mutual Substitution

When we came to the last item in our questionnaire and asked the respondents whether they agreed that every effort should be made to produce on large-scale farms the output of small-scale farming, we again did not believe that people would "take seriously" such nonsense, just as we did not expect them to agree with our statement that the nation's food supply would be just as good even without small-scale farming. But while 95.7 percent of the respondents rejected this statement, a third of the respondents approved of, and concurred with, the idea of producing on large-scale farms the output of small-scale farming, without recognizing the absurdity underlying their answer. Here again, of course, the answers reflect emotional attitudes rather than reasoned convictions. This is evident, among other things, also from the fact that the

idea of substituting large-scale farming for small-scale farming found favor even with some of the respondents who earlier approved of expanding small-scale farming.

#### Comparison of Views

Finally, we attempted to establish how strong is the overall prejudice regarding small-scale farming within the individual social strata. To this end we examined the distribution of the answers according to which:

- An intellectual occupation and farming are incompatible;
- Small-scale farming ought to be restricted;
- Small-scale farming is at the expense of the small-scale farmer's performance in regular job;
- The small-scale farmer derives unearned income;
- The nation's food supply would be good even without small-scale farming; and
- Large-scale farms ought to produce the output of small-scale farming.

According to the results of our analysis, fewer respondents in the young and the elder age groups than in the middle-aged group agreed with the stereotype formulations of the statements and questions. The motives behind why the two extreme age groups are more free of prejudice obviously differ. For the middle-aged group, in which prejudice is very consistently and strongly evident, we venture the assumption that their views on small-scale farming have been influenced 20 to 30 years ago, in their most impressionable youth, by the central "official" views, which tended to be the most distorted at that time. The elder age group had already formed its opinion and was less affected by these erroneous views. And respondents in the younger age group have no personal experience of those times, and the views they now hear on this question from official sources are more consolidated.

Striking is the correlation between the intensity of prejudice and the level of formal education. There is significantly less prejudice among the respondents who are graduates of secondary schools or higher educational institutions, than among the respondents who completed only grade school.

The fact that there is less prejudice against small-scale farming among the respondents who are graduates of higher educational institutions and hold intellectual jobs shows that the factor of how well they are informed plays a very significant role in the formation of the urban residents' views on small-scale farming. But the fact that the proportion of respondents with sound views on small-scale farming is the highest among the ones with relatives who are small-scale farmers indicates that they gain their information to a significant extent through such family channels. Consequently, their views are rather subjective, one-sided, superficial, and of limited usefulness for drawing general conclusions.

POLAND

MINISTER ADMITS, DESCRIBES DOMESTIC IMPEDIMENTS TO FOREIGN TRADE

Warsaw POLITYKA in Polish No 33, 17 Aug 85 p 6

[Interview with Foreign Trade Minister Tadeusz Nestorowicz, by correspondents Jerzy Kleer and Jerzy Baczynski, date and place not given: "Resistance Within Superstructure."]

[Text] [Question] So much is being said lately that the growth of exports will be one of the main economic goals in the next 5 years. Perhaps even the most important goal. We wonder whether the society really shares this view. We have seen much evidence in the past of open reluctance to the "export of Polish goods." Exports are still treated as necessary evil. Are you not afraid that the plans for "pro-exports orientation" of our economy will be met with opposition from influential social groups?

[Answer] Poland has never been a country which held an important position in international trade. Exchange of goods with foreign countries even in past centuries has played a relatively modest role in Polish economy. Unfortunately--in our times as well, in the post-war period, autarkic tendencies won and despite fast industrial development, Poland was not oriented towards exports. Maintenance of low per capita level of foreign trade has been the consequence of this. This has some effects of its own on the consciousness of society, whose successive generations did not learn to adequately value the advantages arising from foreign trade. Thus, the attitude of many people towards foreign trade is still often full of distrusts and resentments.

The disclosure of our state of indebtedness, as well as the exposition--in specific situations--of few unsuccessful trade contracts could have deepened this distrust. I wish to say here, that in my opinion, centers hostile to Poland deliberately stirred up emotions about the subject of foreign trade so as to evoke against this background doubts as to advantages resulting from trade exchange with socialist countries. Creation of these feelings was that much easier since the society in the past decade was kept convinced that money comes from wherever because it was easy to obtain credit. Suddenly, it turned out that the credits have accumulated into large indebtedness, which unfortunately has to be paid back with exports.



[Question] Mr. Minister, do you encounter some symptoms of reluctance towards exports?

[Answer] Directly, no, at least not among the cadres managing the economy. Usually, verbally all understand the necessity of increasing exports. Immediately though, there appear reservations: exports - yes, but with exclusion of goods which are in short supply on the domestic market (food, consumer durables.) Do not sell raw materials and semi-finished products which can be processed domestically. Do not export articles whose lower technical level, or quality, cause us to receive lower prices for them. In practice, there also exists resistance to exporting articles which can be sold domestically more profitably to the enterprise. As long as we talk in general terms there is no problem. The discussions begin with specific cases.

[Question] It is difficult to wonder about this: in many cases exports constitute competition to the already impoverished domestic market.

[Answer] Strict interdependence exists between domestic market equilibrium and the ability to increase exchanges with foreign countries. Only the fulfillment of domestic needs creates sufficiently strong motivation for exporting. It also allows us to amass adequate "free" product mass, whose sale to foreign countries would be taking place without detriment to domestic consumers. Unfortunately, the domestic situation is different. In my opinion, since many branches of the Polish economy depend on import supply, it is necessary to export even if it means the necessity of "taking off" some articles from the domestic market, or the maintenance of exports with relatively low profitability.

[Question] Do you think that such arguments are convincing to the people?

[Answer] That depends. At the beginning of this year the Center for Research of Public Opinion and Program Studies of the Polish Radio and TV conducted a poll concerning the attitude of citizens towards trade exchange with other countries. In Poland, 67 percent of those polled spoke out in favor of the development of trade contacts, but as many as 27 percent thought that we ought to strive after self-sufficiency and limit the exchange with foreign countries. It is too bad that such polls were not conducted earlier. We cannot then compare how opinions of society have been changing on this issue.

[Question] If lemons and oranges were accessible on the market, surely more people would see the advantages arising from foreign trade. The lack of consumer products imports causes many people to associate foreign trade only with export of our goods. Lemons would add you allies.

[Answer] I have serious doubts. . . Recall please, that lemons were continually sold in the 1970s, and what happened? Did interest in exporting grow because of it? On the contrary, I believe that the relative abundance of imported consumer goods favored formation of a "false consciousness." It obscured the real state of the economy and its position in the international division of labor, as well as the growing indebtedness. Today,

we cannot afford to squander foreign exchange. Thus, one can say that the lack of lemons is a specific reminder to us that we simply cannot afford many things... Please, do not misunderstand me, I would like to have lemons and oranges on the market. But the money for lemons after all, does not come from thin air, means for imports have to be earned first. Citrus fruits will appear when an improvement in balance of payments takes place. I know that this is unpopular, but--in my opinion--this is better than creating delusions.

[Question] We have chose lemons as an example. The point is that the average consumer does not perceive the advantages arising from exporting.

[Answer] By no means can we print on every product that it had been produced with imported cotton, leather, rubber, iron ore, oil etc. Such didactics would be unbearable. The point is not to convince the consumers toward foreign trade, but producers. Here, cognizance of ties between exports and imports is plainly necessary.

[Question] Agreed, but how can we achieve this if the great majority of producers has no contact with foreign trade? It follows from various analyses that 3 percent to 4 percent of the overall number of enterprises supplies over two-thirds of export goods. For the most part, this signifies that exports are of no importance for several thousand enterprises.

[Answer] It is a serious problem. Those who export large quantities and take advantage of foreign exchange accounting are able to properly estimate the importance of foreign trade. The necessity of self-reliantly earning for imports is a very strong factor in pro-exports motivation. The remaining enterprises often operate in a state of what I called "false consciousness." They receive supplies from centrally allocated imports and simply think that it is due to them. As a result, those enterprises forget that someone else finances these imports through exports, and thus enables them to work normally and achieve profits.

[Question] Is there a way against this phenomenon?

[Answer] Specifically, only one: inclusion of larger number of producers in exchange with foreign countries. This is being attempted through various means. Many cooperators who indirectly participate in production of exports are receiving indispensable foreign exchange support from the exporter of finished product. Further, after the transformation of foreign trade enterprises into partnerships, hundreds of producers became direct partners and participants in foreign trade. Besides practical considerations, this is of great educational importance. Industry people--management cadres; factory representatives--are becoming closer acquainted with mechanisms of exchange with foreign countries, meet with foreign clients, are beginning to calculate, and can evaluate effectiveness and competitiveness of their own production in comparison with that of others. Licenses granted for independent conduct of foreign trade have a similar effect. Besides large exporters, licenses have been received by artisans, cooperatives, often complete novices in international exchange.

[Question] The interest in licenses though, has very much fallen.

[Answer] This may be a temporary phenomenon. I am also not excluding the possibility that many "license-takers" have found that without professional preparation, sales network, orientation in foreign markets, they simply will not manage. If partnerships become a better channel for sales then the enterprises will resign their licenses, there will also be less people willing to take the risk on their own. We leave this matter to those interested.

[Question] Foreign exchange support, partnerships, licenses...As it is apparent from practice, these attempts to widen the circle of exporters have produced rather moderate results. Enterprises are not striving after exports, and appeals and persuasions of all kinds do not elicit a response. Except for a few shops which make a living from exports, the rest appears to be completely unworried by the payment situation of the country. Consciously, or unconsciously?

[Answer] We are dealing here with the difficulties of a transition from macro- to micro-economic scale. Probably every enterprise manager in Poland stumbles on the "import threshold." The slogan of increasing exports--as I have already mentioned--has practically no opponents. But the very same manager calculates differently at his own enterprise: producing for domestic markets is usually less demanding, contractual prices allow achievement of higher profits than transaction prices, there are no problems with sales--why exert oneself beyond need? If this is the "consciousness barrier" then it can be removed only by bringing the situation to the point when production of exports will be equally and even more advantageous than production for domestic buyers.

An apparently simple prescription, but in practice it demands many years of systematic efforts. The point is to re-regulate domestic prices, foreign exchange rates, reconstruct economic structure, decrease production costs, etc.

[Question] If so, then this means that any propaganda around foreign trade is empty-worded.

[Answer] I cannot agree with such a thesis. Systemic operations which I have mentioned belong to the category of social ills. Their implementations requires understanding and acceptance. The days of arbitrary cabinet decisions are over. Socio-economic plans are subjected to wide consultations. Production aims of plants are commented on by trade unions and ratified by self-government. Economic reform has substantially increased decentralization of management. If in social consciousness there will be strong resistance to increasing the exchange with foreign countries, the activities of the so-called center will be effectively blocked, and foreign trade will be to a large degree serving only the role of an emergency measure: if there are surpluses--sell them, if production--hold off exports, increase imports. Without social support we will not realign the economy towards a pro-exports orientation.

[Question] In your opinion, is the society well-informed about the problem of foreign trade?

[Answer] Whoever is interested in the subject has no trouble forming an opinion. However, trade is an art requiring discretion, excessively detailed information could turn against us. We need to carefully weigh the proportions, avoid sensations. Every year approximately 150,000 trade transactions are made. It is understandable that with such a large number of them some mistakes and irregularities may appear; however, presentation of foreign trade mainly from this side is a deformation of the picture and intensifies distrust towards the cooperation of Poland with foreign countries.

[Question] It is doubtful whether the department can manage to avoid this. It is certainly unjust, but in common opinion foreign trade employees are regarded as people who are not very operative, who are burdened with bureaucracy, who have poor command of foreign languages, who have rather mediocre qualifications. Slander and sensation then fall on fertile ground. Because we are talking about the "superstructure", how do you, Mr. Minister, evaluate the level of preparation of your cadres?

[Answer] Highly, and it is not only for reasons of courtesy. That is why I am appealing for objectivity, to dispell harmful myths. On the basis of professional preparation, our foreign trade apparatus does not trail its competitors. The problem is that our trade people, as we have calculated, devote as much as 60 percent of their time to "wrenching out of product mass" from the industry. This deforms the work of trade personnel, decreases marketing operativeness. Barriers limiting the development of exports are found today mainly within the country and not in the foreign markets. These are not only material barriers but also those which arise from old dogmas, complexes, grudges, and habits. The change of economic orientation towards exports must also mean a substantial change of opinions.

[Interviewer] Thank you for the interview.

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POLAND

#### FOREIGN TRADE PROSPECTS IN FIVE-YEAR PLAN CHALLENGED

Warsaw POLITYKA in Polish No 34, 24 Aug 85 (supplement POLITYKA EKSPORT IMPORT No 16, Aug 85 pp 1,2)

[Roundtable on foreign export trade with Stanislaw Dlugosz, deputy chairman of the Council of Ministers Planning Commission, Wladyslaw Gwiazda, vice-minister of foreign trade, Pawel Bozyk of the SPGiS [expansion unknown], Stanislaw Gruzewski and Jan Niegowski, director of the economic section of the Polish Chamber of Foreign Trade, conducted by Jerzy Kleer: "Forum: Foreign Trade 1986-1990: Plan of Wishes and Doubts"]

[Text] What place has been given foreign trade within the concepts of the plan for 1986-1990? Are there real intentions to considerably increase the level of exports? What conditions should be met for firms to make a profit from exports?

These and other problems of our foreign trade were discussed by representatives of the economic "center" with members of the POLITYKA-EKSPORT-IMPORT editorial board. Participating in this meeting were: Stanislaw Dlugosz, deputy chairman of the Council of Ministers Planning Commission, Wladyslaw Gwiazda, vice-minister of foreign trade, Pawel Bozyk of the SPGiS, Stanislaw Gruzewski and Jan Niegowski, director of the economic section of the Polish Chamber of Foreign Trade. The discussion was led by Jerzy Kleer.

[J. Kleer] Our national economy continues to be inefficient and this has an obvious influence on our foreign trade which is naturally the harshest verification of production. I do have the impression, however, that in spite of declarations, the announced "concept variants" of the plan for foreign trade in 1986-1990 are being regarded too passively, almost as if we did not appreciate the role that can be played by foreign trade in the proper reconstruction of our economy.

My other doubt concerns the very structure of the plan. Depending on the given variant, it is assumed that each percent of growth in the national income should come from each 1.75 to 2 percent of gain in export trade. This is probably the maximum that can be assumed. However, the question arises of

whether these are real intentions not only in the material sphere of actual export production but also in the sphere of mechanisms and instruments for stimulating export trade. We are concerned with particular actions but it seems that we continue to lack a cohesive system of economic regulators.

My third comment concerns cooperation with the West. The variants assume a 7-percent annual rise in exports to the West. How are we to achieve that if the structural changes in our economy are just beginning, if "anti-import" and autarchic tendencies persist and the entire concept of cooperation with the West is essentially a matter of meeting payments and servicing our national debt? After all, we do know that without an influx of the newest technology, our economy will continually regress. I can repeat the charge that the proposed concept is too passive and defensive. They want trade but they want it with safeguards.

[P. Bozyk] That is true. I would like to add that in the plan itself, foreign trade is seen as being somewhere between "higher education" and "employment policy". Meanwhile, it is really the results of foreign trade that will to the greatest degree determine whether or not our entire social and economic plan is realized. It is obvious that the very methodology used to prepare the plan has not been adapted to the needs of the times and that, to put it simply, the old methods are continued "as if nothing had ever happened".

[S. Gruzewski] I would like to point out that in the coming years our situation will be determined not only by our enormous debt to the West but also by the need to pay our debts to the other socialist nations and the Soviet Union above all. Foreign trade should have an absolute priority in the plan. For example, for us, any growth in exports is a "question of holding out". The variants assume a high growth in export trade but do not indicate how that is supposed to be brought about. Is this the latest wishful thinking?

[J. Niegowski] In the variants of the plan concept, it is written that exports to capitalist countries should grow by at least 7 percent annually. This is an average figure because in the case of the electrical machinery industry, the growth is actually supposed to be about 15 percent per year. However, let us look at what has been taking place this year: for the first time in a few years, the growth in export trade is lower than production and even in the electrical machinery industry we are noting a drop in export sales. How did we come up with this 7 or 15 percent annual increment?

Old Schemes?

[S. Dlugosz] As a representative of the Planning Commission, I feel as if I were on trial. The economic practice of recent years was, for understandable reasons, subordinated to the question of defending consumption. The efficiency or rebuilding of the economy has somehow been relegated to second place. Presently, in preparing the drafts for "variants of the plan concept", we had to deal with a dilemma more important than any percent figures: are we supposed to maintain our present goals in the coming five years, i.e. to defend and rebuild the level of consumption or restore the economy's ability to further grow? This is the essential difference between the two variants.

The answer to the question will be decided by the choice of concrete economic strategies.

I agree with you that we are trying to satisfy too many public goals at once. This gives one the impression that we have no established priorities. Everything is important -- export, domestic consumption, agriculture and housing construction alike. We want for society to tell us what we should concentrate on.

[P. Bozyk] In this way, the Planning Commission wants to avoid taking responsibility for hard and unpopular choices. I doubt whether we can ask society what they most want developed because everyone will want to defend consumption even if that would cause long-term economic harm. The directions for growth must be decided by the government because it has the greatest knowledge of the consequences of the different choices.

[S. Dlugosz] The achievement of the last five years has been what we call socialization of the planning process. Consultations are conducted by party, public and union organizations and nearly 2000 firms. It is hard to agree with the claim that we wish to avoid taking responsibility. The Planning Commission must respect public opinion even if it goes against theoretical assumptions. This is also true of the role and place taken by foreign trade. here we must also consider social conditions. That is why, for example, we do not propose the payment of our foreign debt at any cost. We are presenting a plan for realistic payment of our debts so that we can limit the negative consequences of this operation and not strangle our economy. The experience of recent years has given us foresight.

[J. Kleer] Are we not too cautious? Export cannot be influenced by public opinion or treated as a necessary evil. We must sell things to have the money for imports and payment of our debts and I would like to repeat that foreign trade is after all a means of rebuilding our economy. The plan does not show any new approach to the role of foreign trade.

[W. Gwiazda] The variants for the plan contain proposals for rebuilding the economic structure. Furthermore, the legal foundations for a pro-export restructuralization of our trade have already been established this year. They should create the conditions necessary for a growth in export production which is characterized by the greatest possibilities for purchases on foreign markets and a proper degree of efficiency. I am referring to the so-called small restructuralization.

However, we should remember that the achievement of greater results is closely connected with the processes of change in the economy as a whole and that is not an easy matter in a situation of "investment famine".

[J. Niegowski] Let us at least read what has been written about export to developing nations, that manufactured goods and complete industrial facilities are as old as the hills.

[S. Dlugosz] I do not agree that we are repeating our old schemes. In working out the variants, we made numerous calculations about the diverse



arrangements of external and internal factors. Our proposal for an average 7-percent increment in exports to both trade areas is based on analysis of real possibilities. We did not just pull these figures out of our hats. If in 1981-1985, export trade grew by an average of 1.3 percent per year and is supposed to grow by 7 percent, a quantitative change then becomes a qualitative change and indicates a radical revision of our approach to foreign trade. The formulations may sound banal here and there but we know that they are not a joke. If in practice, we make foreign trade our number one goal, we will have trouble in all other areas.

[J. Kleer] Minister Dlugosz has expressed a view that I feel everyone shares: efficient export trade must be our first and foremost economic task. This leaves us the question of how we are to convince society of this since, in the popular understanding, there still persists the idea that with the enormous shortages we are suffering on home markets, we should export as little as possible. From this point of view, the plan is conservative and unconvincing. That may be a matter of what areas it accentuates but foreign trade does occupy a distant place in the proposed hierarchy of public goals. Undoubtedly, in further discussions of the five-year plan, the problem of exports may be strongly considered.

Let us look at some concrete details. In the coming five years, our chief trading partner will continue to be the socialist countries. Trade with CEMA nations must in some way fill up the gap created by restrictions on trade with the West. This requires a new and more dynamic approach to cooperation with the socialist countries. the document has only given us generalizations.

#### Turning to the East

[S. Dlugosz] We are therefore talking facts. What is happening? First of all, the method of coordinating plans has changed. We have gone beyond simple balancing of supplies and at this time the discussion is becoming a matter of cooperation, specialization and joint resolution of technical and production problems. Second, although many people here may not like it, we have taken the assumption that it is the socialist countries that will become the main source of new technology for Poland. Let us not turn our backs on the West but draw our own conclusions from the fact that the West has turned its back on us.

[J. Kleer] Excuse me, but what is new about building a program of trade with socialist countries? Could you give me a few details?

[W. Gwiazda] One difference is that we treat five-year contracts differently. There is no push for growth and we are not become overburdened with details. We leave ourselves a large field of maneuver for various trade operations performed "in the course of" the realization of agreements. In the current five-year period, we have already arranged barter and compensation trade outside of protocols. Around 20-40 percent of our trade has come from these extra transactions. At one time, five-year contracts were very rigid and even clothing and shoe sizes were all established beforehand. Now the coordination of supplies is a continuous process even though we obviously use the same procedure in every case. With regard to mutual supplies of basic raw



materials, these are worked out both by consultation with the Planning Commission and rather precisely within long-term agreements. Industry must know well enough beforehand how much and what kind of raw materials it will receive. This is important because most of the problems in raw materials and supplies in industry are solved in cooperation with the socialist countries and especially the USSR.

[J. Niegowski] Minister Dlugosz spoke about the great importance placed on the growth of cooperation. This is nothing new. Much has been said about that for a long time now.

[S. Gruzewski] For example, the cooperation between the Swierczewski Plant and the Kaliber firm is always mentioned. Recently, there has been a lot of rather loud talk in Poland about direct cooperation between firms in Poland and the socialist countries. A special conference was held even but the results have yet to be seen. I fear that this entire "new" concept will have the same result as did the "cooperation of small and average-sized firms in Poland and the socialist countries" that was much-championed in the 1970's.

[J. Niegowski] Exactly. I have the impression that we still do not have a mechanism for direct cooperation between firms.

[S. Dlugosz] I do not agree with that. The necessary legal structure has already been established. For example, the Soviet Union issued a decree to regulate this. Of course, this is a process that only started after the Moscow Conference of CEMA Nations but I can already give you many examples of successful cooperation between industries. In present work to coordinate plans, we introduce the item of "transactions from direct cooperation between firms".

[W. Gwiazda] We have many examples of cooperation including the most recent ones. Let me remind you of cooperation between Hungary and Bulgaria in the production of buses and electronics and cooperative manufacture of road-building equipment and many other items between the USSR and Bulgaria. Poland's share of mutual cooperative supplies in general transactions with socialist countries has reached 20 percent. This is still not a level that satisfies our needs and capabilities but in recent years cooperative supplies are increasing as a result of direct cooperation between factories.

[P. Bozyk] We are talking here about cooperation with socialist nations but we look at what our neighbors are doing: they are increasing their cooperation with the West. This applies to the USSR, Hungary and others. I do not want to be misunderstood but we really do have to strengthen our bonds with our socialist partners. However, are we perhaps trying to make our ideology fit the facts? If the West is breaking up our cooperative ties, we talk about reorientation and we are already freed from making any efforts.

[S. Dlugosz] All of the CEMA nations are declaring their readiness to cooperate with the West. We also feel that cooperation is the chief means of introducing western technology to our economies but we must expect that the credit blockade will continue and the possibilities for simple export of technology will remain limited. We are trying to restore our broken ties. the

other socialist countries have it easier because they are not subject to the varied special restrictions that have been imposed on us. Reorientation to cooperation with the states of our camp is a sign of realism rather than convenience. We remain open to all directions but we have equal possibilities everywhere.

[W. Gwiazda] I agree with Minister Dlugosz. Looking realistically at the matter, only partnership with the socialist nations will guarantee us lasting cooperation that is free of fluctuations caused by economic changes. This would also give us a chance to bring in technology that is in many areas quite new. The rapid scientific and technical progress noted in socialist countries attracts us to cooperation in machine building with those countries from year to year. It is clear that we would like to cooperate with the West but only on principles of full partnership.

[J. Kleer] From what has already been said, we have an idea of the main tasks for foreign trade in 1986-1990. We must increase exports to provide our economy its necessary imports, realistically pay back our debts and gain modern technology through cooperation with countries in both payments-areas. This is the minimum plan. However, do we have at our disposal the tools we need to realize that plan? The results of our foreign trade dictate a lot of caution and scepticism.

#### Debate Over Methods

[S. Dlugosz] In the variants of concepts for the plan, the matter of tools for administration and regulation are not addressed in any concise way. Since the economic conference held in Poznan, a special team is working on this problem. During this three-year period, we have knowingly closed our eyes to the effectiveness of exports. Our situation forced us to do so. However, we cannot continue this way. We must look for other means of stimulating exports. Where? Above all in firms. Our firms must begin themselves to feel that export trade is important to them. Unfortunately, the domestic market is for manufacturers a more attractive one than foreign markets. The main instrument for encouraging exports are foreign current write-offs but this mechanism has already deadened. We must find new incentives or the instruments of foreign trade cannot be autonomous but have to be adapted to the entire system of economic management.

As long as we do not solve the problem of problems by bringing them more in line with price relations on the world market, we will not be able to solve the problem of the foreign currency exchange which should be the chief tool in stimulating export nor the problem of the payment account. Prices, foreign currency exchange and the payments account is a triad that should suffice to motivate export trade. The adaptation of transactional prices only in relation to foreign trade rather than to the economy as a whole will make the export market uncompetitive with the domestic market. However, we do know how hard the problem of pricing is, even politically. The process of bringing our prices into order will take years. For that reason, we continue to be forced to take temporary measures. Basically speaking, we have two tools, one positive and the other, negative. the first one, which has gone practically unused, is that whoever does not export (with the exception of several

branches) should not receive any exemptions for conducting economic activities. The second measure concerns tax reduction and exemptions, awards by the foreign trade minister, payments from the payment account, credits, foreign currency write-offs and various other means of rewarding export. However, both directions are in a certain sense prostheses and do not make exporters any more aggressive.

[W. Gwiazda] I cannot agree with the statement that we have in these three years closed our eyes to the efficiency of exports. This is taken into consideration in practically every export transaction and is also analyzed by the foreign trade ministry at every level. It is another matter altogether that in our present situation we cannot always allow ourselves to give up inefficient exports.

I also feel that the methodological rules on prices and currency exchange are not bad. However, how they are actually realized is another matter altogether. It is a fact that there are considerable deviations in official prices from prices indicated by the turnover in foreign trade. This has its source in the complicated conditions of social and economic policy, the need to reduce inflation and the efforts to achieve market equilibrium.

[J. Kleer] I understand that the coming five-year period is not introducing any new instruments. If this is true, then the assumption of any dynamic growth in exports is meaningless.

[S. Dlugosz] We must start using negative incentives because the positive ones have not given us the results we expected.

[S. Gruzewski] As experience has shown us, their efficiency is doubtful. It looks like the figures given in the variants are impossible to achieve. Export of raw materials has already reached its apogee and we scarcely have any reserves left for ourselves. On the other hand, industry and especially the electrical machinery industry that was supposed to spur our trade with the West has not been able to restore the level of production that we had before the crisis and its export value in fixed prices is four times less.

I have the impression that in preparing the draft on the variants for the foreign trade plan, it was assumed that there would be a high and unsupported rise in exports so that we would be able to plan high imports and balance the plan on paper. A similar method was also used in the past and we are still feeling its effects today. I would like to ask where we found this assumed annual rise in exports to the countries of the second-payments area? Why didn't anyone think about joint ventures? A draft of a bill has already been in preparation for a few years and it is now proceeding with much difficulty.

[S. Dlugosz] Joint ventures would also not solve the problem for us within the next five years.

[P. Bozyk] The concept lacks a program of changes in the structure of the economy and investments. As we said, the electrical machinery industry is supposed to fill the gap in our exports to the West and, aside from housing construction, investment priorities are held by fuel and energy, steel, the



food industry and others. Therefore, the goals that we have set for ourselves have nothing in common with investment policy. The "little restructuralization" referred to by Gwiazda is only a "quarter means".

[S. Dlugosz] With the reservation that the investment plan for the five-year period has still not been foreclosed.

[J. Kleer] But the decisions already made leave almost no field of maneuver.

[S. Dlugosz] We spend the most on investments in productive industry, steel and heavy chemistry. However, can we drop them? These are the hard planning choices we face.

[J. Kleer] In other words, we still cannot find a means of realizing our foreign trade plans.

[W. Gwiazda] I do not feel that such a radical statement is justifiable. We have the instrumentation even if it is imperfect. We must work for consistent introduction, strengthening and improvement of a system of incentives. In 1986-1990, we intend to expand the range of transactional prices which was proposed today by Minister Dlugosz. The policy on currency value will also be more elastic. To intensify the restructuralization of the economy which so alarmed Professor Bozyk, we are planning to establish the Exports Development Bank which would use credits in both Polish and foreign currency to support pro-export investment enterprises. An increase in the motivational role of tax reductions, etc. is being discussed. As for cooperation with the socialist countries, the present pro-export incentives are enough.

[J. Niegowski] Despite the various motivations, firms still do not feel any "compulsion to export" although that feeling is certainly more drastic with regard to exports to the West. To change this, export production must be made profitable. I do not feel that negative incentives are effective.

However, before we begin regulating prices and therefore profits, we can already solve a few other problems today. The chief headache for all exporters is the lack of any sort of priorities in material supply even though official policy does call for them. The second question is the need to consider a system of tax reliefs for the unquestionably greater labor-intensiveness of production. I hope that this is what Minister Dlugosz had in mind. Finally there is the problem of the amount of foreign current write-offs as well as the right to them in rubles for exports to socialist countries.

[W. Gwiazda] We are introducing such write-offs on an experimental basis.

[J. Niegowski] That is very good. Meanwhile, the course of currency values is of secondary importance to firms.

[S. Dlugosz] True. From the currency value policy, we can now expect that it will not discourage exports. Changes in the course should only equalize the consequences of price movement in Poland.



[J. Klee.] I propose that we establish the main points that everyone agrees on.

First, a growth in exports should be our main task for the coming five-year period;

Second, as long as we do not regulate the problem of prices, we will not be able to create effective mechanisms to encourage exports;

Third, considering economic and technological security, the main direction for cooperation in foreign trade should be the socialist countries, especially the Soviet Union.

I think that you will also agree that we will have to continue discussing the place to be taken by foreign trade in the coming five-year period. Thank you for taking part in this meeting.

12261

CSO: 2600/1045

POLAND

POLISH-CHINESE TRADE PLANS DETAILED

Warsaw RYNKI ZAGRANICZNE in Polish 20 Jul 85 p 3

[Article by Milosz Weglewski: "Poland and China: Broader Horizons for Cooperation"]

[Excerpts] As recently as the start of the 1980's, our foreign trade with the People's Republic of China was marginal and in 1981 comprised less than 0.4 percent of our overall world trade. However, the expectation of a high rate of growth in trade with China in the last two years (this year we have actually achieved a level of trade of 1.3 billion Swiss francs has actually been achieved<sup>1</sup> or four percent of our total foreign trade) and a very favorable trade structure has made China an increasingly attractive economic partner for Poland.

Industrial cooperation is also increasing. We must, however, be aware of the fact that it will be rather difficult to make greater use of the economic "opening" of China. This is because of the present condition of our own export trade abilities and the sharp competition for the Chinese market. However, it seems that selective participation in the modernization of the Chinese economy is completely possible and therefore essential from the point of view of our prospective economic interests.

A New Stage

The agreement for mutual trade for the current year calls for a 280-percent increase to 1,304,000,000 Swiss francs or about 62 billion zlotys. There should be a radical change in the structure of Polish exports. Machinery and equipment sales that in recent years made up somewhat less than 25 percent of all Polish products sold to China will be increased to a level of 61.8 percent. At the same time, the amount of exported raw materials and materials (which makes up to 33.7 percent of our trade with China) will be reduced. Consumer and industrial goods will also be added to our goods for export.

We will somewhat increase the portion of our purchases in China of consumer goods to 31.6 percent and correspondingly lower purchases of raw materials and materials to 29.7 percent. Agricultural and food products remain the greatest

portion of our trade with China and we will continue to purchase agricultural and food products at a level of 37.8 percent.

Our country's more active involvement in the modernization of the Chinese economy is demonstrated by the trade protocol which agrees upon a considerable increase in the rate of mutual trade and places a high priority within this trade on Polish investment equipment. Poland will mainly be supplying this market with mining equipment and machinery, construction equipment, steel products, chemicals, passenger automobiles and trucks. The higher level of exports will make it possible to increase Polish buying of mostly consumer goods on the Chinese market. Let us remember that the trade between our countries is compensatory in nature and is balanced each year.

This year, we are importing from China items such as nonferrous metals, petrochemicals, semifinished products, raw pharmaceutical materials, automotive rubber products, sport shoes, silk and cotton fabrics, glass and traditional food products such as rice, tea, cooking oils, pork, corn, cocoa and chocolate.

The high rate of growth in Polish-Chinese trade in the recent period has made it possible to enter a new and higher stage of mutual economic relations. This was expressed by a long-term trade agreement for 1986-1990 that was signed at the end of May. The agreement calls for an increase in mutual trade over the next 5 years to a global value of more than 6.5 billion Swiss francs. The actual level of trade will certainly be much higher because both sides have agreed that the amount and value of trade can be modified by annual protocols on trade and payments.

The portion of investment equipment provided by Poland is increasing. China has agreed to buy 50 wall cutter-loaders 75 coal cutter-loaders and gallery cutter-loaders. In the Qianjiaying and Huainan provinces, Polish firms will be building two complete coal-processing factories with an annual capacity of four million tons. In both of these regions, we will also be involved in the modernization of several bituminous coal mines. The Chinese will receive from us items such as two 360-MW generators and two 300-MW boilers. Transportation equipment has a significant place in our exports. Aside from the 1700 railway wagons that will be built for China in 1986-1990, we have signed an agreement on the sale of a large lot of motorization products. China will buy 30,000 Polish Polonez automobiles, 15,000 Fiat-126's and more than 10,000 Star and Jelcz trucks. Among the products that we will be supplying China in the coming 5 years are 60,000 tons of soda ash and 100,000 tons of sodium hydroxide, 100,000 tons of polyester fiber, 50,000 tons of electrolytic copper and a large amount of steel products.

In turn, our Chinese partners will enrich our market with, 250,000-300,000 tons of rice, 55,000 tons of tea, 500,000 tons of corn and 50,000 tons of pork. We will also be provided with 60 million Swiss francs worth of canned meats, fruits and vegetables.

Our stores will soon see many leather and knitted products made in China as we have agreed to spend about 350 million Swiss francs on their purchase.

Industrial and consumer goods bought in China will also include 100,000 tons of cotton, sport and tourist products and Chinese porcelain.

The import of many rare and valuable nonferrous metals (250 tons of mercury, 5,500 tons of antimony and 6,500 tons of concentrated wolfram ore) will be very important to our economy because the only alternative to acquiring them from the Chinese would be free currency imports.

#### Spheres of Cooperation

The present achievements in economic cooperation between both countries are not impressive. The cause has been a lack of Chinese interest in cooperative ventures. This lack of interest largely stems from political conditions. Only in 1982 was there was an obvious change in China's attitude toward this problem; it was brought about by a reorientation of that country's economic policy toward the CEMA nations.

The signing in the middle of this year of a Polish-Chinese agreement on economic and technical cooperation and the establishment of a joint government committee on economic, commercial and scientific cooperation gave formal and legal form to cooperation that had already been realized on a practical level somewhat earlier. This agreement, which is valid for 10 years, established an entire set of mutual economic relations. It calls for joint enterprises such as cooperative production, technological and technical exchanges, joint economic initiatives in third countries, coordination of research and design work and an exchange of specialists and technical personnel in various sciences.

The possibilities of broadening cooperation are rather extensive. However, it would be worthwhile to examine the present state and prospects for cooperation in certain areas of interest to both sides.

Cooperation in the coal-mining industry covers areas such as the modernization of several Chinese coal mines and factories producing mining equipment and machinery, mutual enterprises in open-pit mining and cooperation in mining safety. Cooperative production of coal-mining machinery has been finalized.

Joint work in the fields of electronics and automation is also in a very advanced stage and has been growing continuously since 1982. Following a period of exchange of knowledge and groups of specialists, cooperation is presently taking the form of cooperative production of electronic subassemblies and components.

Our Chinese partners have shown great interest in cooperation in the raw materials industries, especially in the processing of ores. Previous contracts in this area have concerned technical designs for deep mining of zinc and lead and an ore-processing plant in Huize, the provision of necessary machinery and equipment as well as their assembly and start-up. The People's Republic of China feels that it will profit from Polish cooper mining and refining technology.



Other agreed-upon areas for cooperation include the machine industry (machine tools and tools as well as ship's engines) and food and agriculture. The prospects for cooperation in the chemical and transportation industries are very clearly improving (a contract between Jelcz and Chinese plants in Siping has been signed).

Detailed plans have also been made for Polish assistance in the modernization of China's industrial infrastructure. This primarily concerns objects built by us in the 1950's such as sugar refineries, electrical power plants, spinning mills and coal-scrubbing plants. The Chinese also see the role taken by Poles in economic cooperation in their own special zones along the coast. At the same time, they are proposing increased activity of the Polish-Chinese Chilpolbrok navigational partnership that has existed since 1951 and has contributed much to trade between our countries.

These facts demonstrate the great possibilities that exist for expanding and strengthening economic ties between our countries. However, we must be aware of the fact that the Chinese now wish to invite everyone into cooperative enterprises and that they have something to offer everyone. Their investment plan for the coming 5-year period calls for the construction of 400 large and average-sized plants with another 270 to be added in subsequent years. A priority has also been placed on agriculture, energy, transportation and communication. These are areas in which we still have much to offer them.

The activation of economic cooperation and consequently of trade is favored by the complementary nature of their structure. China does not see any prospects for exporting machinery and equipment to Poland before 2000 and we will probably not be able to supply them with agricultural or food products. It is therefore worth increasing our efforts to make efficient use of the possibilities created by the opening of China.

12261

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4 October 1985

## POLAND

## NEW DRAFT LAW ON JOINT VENTURES

Warsaw RYNKI ZAGRANICZNE in Polish 18 Jul 85 p 8

[Article by Jerzy Szydlowski: "Expecting a Law on Joint Ventures"]

[Text] The benefits from an influx of foreign capital into our industry are manifold. Among other things, joint ventures give us more access to foreign materials and technologies as well as the newest methods for work organization and management.

These benefits were assessed over the years by several socialist states such as Bulgaria, Romania, Hungary, Yugoslavia and China that allow partnerships with the participation of foreign capital. Foreign investors in these countries enjoy reductions or complete exemption from taxes and can transfer profits and use bank credits. Foreign participation in partnerships varies in different socialist countries. In Bulgaria, it can exceed 50 percent while in Romania and Hungary it is as high as 49 percent and at least 25 percent in China.

Poland still lacks the legal framework for the creation and operation of partnerships with foreign participation. In the Foreign Trade Ministry, work was recently finished on a new bill on joint ventures. According to this bill, foreign investors from both socialist and capitalist countries can participate in a partnership. These partnerships can take two forms: commercial (i.e. stock) partnerships and limited partnerships.

The creation of a partnership requires the permission of the trade minister and director of the Finance Ministry. The foreign trade minister can decide to disband partnerships while the partners have the right to appeal this decision to an administrative court. On the other hand, there is no possibility of appealing a decision refusing permission to create a partnership. According to the new bill, a partnership can independently conduct foreign trade.

A partnership has the obligation to resell to the Polish hard-currency bank 15 percent, according to the current international currency rates, of the profits from current exports. Within these limits on the partnership's property, the

partner can may exceed the limits of achieved profits. The state does not have to guarantee the supply of raw materials or materials to a partnership.

If such an enterprise is involved in export trade, every one percent of its export value in relation to the production value lowers the tax scale by 0.4 percent. At 100 percent export, the tax would amount to 10 percent. Preferential establishment of a 50-percent level of income tax has been proposed along with the exemption of export trade from trade taxes.

The new bill also makes some partnerships exempt from taxes and gives others a tax exemption during their first two years of production. It will also be possible to give the foreign partner a bank guarantee on the obligations of the partnership and this should encourage the influx of foreign capital.

In order to encourage Polish firms to participate in partnerships, they are being given the freedom to keep part of the foreign currency profits they receive from a partnership. This means that the firm will not be dependent on the currency restrictions of the regulations on ROD [expansion unknown].

The bill has in principle left it to the discretion of the partners to determine how they will establish the partnership's organs and their roster and authority. However, it does state that they are required to appoint a Polish citizen to administer the partnership in the case of a one-person administration. If the partnership is to be administered by more than one person, the chairman should be a Polish citizen permanently residing in Poland. the bill also states that a worker representative must be given a seat in the supervisory council. In contrast to the provisions of the commercial code, all partnerships are required to form a supervisory council.

12261

CSO: 2600/997

POLAND

GLOWACKI ON REFORM IN COMMERCE, SERVICES

PM280740 Warsaw VETO in Polish 14 Jul 85 pp 4-5

[Interview with Minister Andrzej Glowacki, undersecretary of state at the Ministry of Internal Trade and Services, by VETO correspondent Zofia Szelinska; date, place not given; first three paragraphs are editorial introduction]

[Text] Customers probably believe--and rightly so--that the market can be said to have been "reformed" when shopping becomes a pleasure and looks as follows: People walk into any store and find what they need and what they like. In addition, they have enough money. Their only headache is the actual choice of the article they might decide to buy.

But how do those who work in commerce see the economic reform? How do those economists see it who work either in commerce itself or in sectors that serve commerce? The blueprint for market reform--with the market including commerce, the wide field of customer services, the catering sector, and so on--must surely be slightly different than those for other sectors of our economy. Is the difference limited to mere details? Should we wait to implement economic reform in commerce until we have finally implemented it in industry? Or perhaps the order should be reversed? What attitude does commerce take toward the economic reform? The party-economic conference in Poznan reminded us uncomfortably that we have been implementing the economic reform for no less than 3 years already! Has commerce taken advantage of the opportunities the economic reform presents?

These were the problems we discussed with Andrzej Glowacki, undersecretary of state at the Ministry of Internal Trade and Services.

[Szelinska] Commerce invokes unfortunate associations with controlled distribution and rationing. Can we, in fact, talk about economic reform in our commerce--from, say, the viewpoint of an individual enterprise, the General Consumers' Cooperative [pss]; or the Rural Communes' Cooperative, when we know in advance that these firms are due to receive predetermined quantities of, say, bicycles, items of furniture, washing machines, refrigerators, or food-stuffs?



[Glowacki] Of course we can talk about it. Even at the time when rationing affected more than a dozen different goods, and highly controlled distribution flourished unrestricted by any regulations, there was still a vast scope for enterprise left, where commercial firms could demonstrate their initiative. It should be remembered that sundry confectionary food products, bread, dairy products, and ready-to-eat foods were not rationed. And they were either on sale in the stores or they were not: It depended on the traders. Consumption of ready-to-eat foods is far from uniform. In some voivodships it amounts to 1 kg per person per year, and in others it reaches 12 or 13 kg.

[Szelinska] In some stores you could buy nothing except rationed foods. They would have a sign pinned to a shelf which said "sugar," and that would be all the information available to customers. The self-service "Sam"-stores were all but empty, and any kind of work organization was completely nonexistent. And yet it was possible to organize work differently even then. In February and March 1982 the Spolem Consumers' Cooperative in Szczecin was offering virtually the whole range of rationed goods, with the exception of butter and meat, in their "Sam" stores. Checkout counter attendants would cancel customers' ration coupons, so that it was not necessary to wait in mile-long lines to reach the service counters. The only thing they had to ensure was that all the checkouts were operational. Shopping was very different there.

[Szelinska] What proportion of total turnover is taken up by rationed or centrally distributed goods?

[Glowacki] In 1984 less than 29 percent of all goods in internal trade turnover were either rationed or distributed centrally. The range of goods to be rationed is determined by a Council of Ministers resolution. Centrally controlled distribution, on the other hand, is a consequence of putting certain goods on the list of government tenders or special operation programs. There is also a variety of other methods of controlled distribution of goods, developed for the use of particular commercial organizations or regions.

[Szelinska] Precisely: The ministry tolerates such excessive inventiveness on the part of commerce, worthy of a better cause than that of controlled goods distribution....

[Glowacki] It does not tolerate it. You should not, however, forget the organizational structure in which commercial enterprises operate. Their weak point is monopolization, which was introduced--without commerce's consent--in 1976. Do you imagine that it would be possible today to overthrow our three commercial giants? It would spell disaster both for the market and for the customers, because they are, on the other hand, affected by strong manufacturers' monopolies. These have not undergone any transformations. If we try to turn up our noses at Polar [refrigerator manufacturer] who is there to replace them?

[Szelinska] Diora [domestic electronic goods manufacturer] has already announced that if domestic commerce does not buy their products, they will export the lot.

[Glowacki] There you are! We have nearly 400 general consumers' cooperatives, 1,900 rural consumers' cooperatives, and 73 state-owned commercial units. Taken individually, none of them means anything at all. Their purchasing potential is minimal: it would represent something like 1, 2, or 3 percent of the industrial monopolies' output. That is why commerce opts for a central purchasing policy. Thanks to this policy it can force the desired size of the given purchase on the manufacturer, control product quality, and influence pricing.

[Szelinska] I find it difficult to believe that only 30 percent of all commodities come under the steered distribution system.

[Glowacki] I said "less than 29 percent," and that makes a difference, for each single percent represents billions. We estimate--assuming maximum figures--that an additional 10 percent of the total volume of all commodities is gained as a result of the other methods of the centralized purchase system. Together this would give us less than 40 percent of the total volume of commodities. We believe that the centralized purchase system is a vital necessity today. To give you an example, it will be easier for the Central Union of Spolem Consumers' Cooperatives to handle one strong manufacturer than it would be for several hundred small outlets separately.

[Szelinska] What will the current year bring us in this respect?

[Glowacki] To all intents and purposes we can say that we already know. Fats and cereal products rationing has been abandoned. In addition--despite the fact that footwear is included on the list of government tenders--the ministry is at present considering whether to take it out those commodities whose distribution is centrally controlled. For as soon as we begin to arrive at a situation of relative general equilibrium--which need not mean an equilibrium in the range of kinds and styles, since certain kinds of footwear are still not available in stores--we will immediately attempt to abandon the central distribution system. The same applies to certain ranges of furniture. As regards central purchasing, outside government tender, this remains exclusively the question of the goodwill of commercial agents. They themselves come to realize that when they are dealing with a manufacturer who has a monopoly for the product they must join forces to be better equipped for the fight for their own and their customers' interests. You must have witnessed the many fights and skirmishes at the Poznan trade fair. There were even attempts at disrupting auctions because the terms proposed by the manufacturers were unacceptable.

Centrally or Independently?

[Szelinska] I also saw other things. Buyers for commercial enterprises complained about the controlled distribution schedules, as these made it impossible for them to buy what they wanted and liked. They arrived at the fair only to find that there was a preplanned purchasing scenario in operation, and they were very unhappy about it.

[Glowacki] We know who is unhappy with the centrally controlled distribution of commodities: commercial operators from such large conurbations as Warsaw, Lodz, Wroclaw, Katowice, or Poznan. It is, after all, in all those places that a strong market-supplying industry is centered.

[Szelinska] I should not think that any good director or chairman will love the centrally steered distribution system.

[Glowacki] And yet more than 30 voivodships are in favor of that form of distribution, although of course it also has its fierce opponents. At a recent session held by Group IV of the Economic Reform Commission, Mr Antosz, director of the Domar shopping complex in Wroclaw, presented a lengthy argument to demonstrate why he finds centrally controlled distribution and purchasing a hindrance in achieving a more dynamic turnover rate. His speech was equalled in length by that delivered by Mr Sosnowski, an outstanding commercial operator representing the central stores in Lodz. Others present were, however, just amused, knowing that he has the whole of Lodz commerce at his disposal. He can trade by barter, exchanging popular ranges of garments for all kinds of other commodities. Traders from small places like Ciechanow, Sieradz, Siedlce, or Zamosc have no such opportunities....

[Szelinska] Are alcoholic beverages also purchased centrally, from the one and only monopoly producer?

[Glowacki] No, but since the winding-up of Ponal [state enterprise set up 1984 to monopolize alcohol sales] on 1 April 1985, the monopoly for alcohol sales has been held by the Food Products Wholesale Enterprise [PHS]. The PHS agrees the volume and the structure of the supplies of alcoholic beverages with Polmos [the alcoholic beverages monopoly manufacturer].

[Szelinska] As far as I know, the level of alcohol purchases is regulated by an annual government act. Did we exceed the limit for alcohol consumption last year?

[Glowacki] The resolution only specifies consumption limits for spirits of 100-percent strength. It is up to the PHS to decide how much vodka it wants to buy as against various aperitifs, cocktails, sweet liqueurs, and so on. Alcohol consumption per head (calculated in the volume of the so-called pure spirit) was 6.2 liters in 1983 and in 6.3 liters 1984, but I believe that this is a result of a wide dispersion of sales, which are licensed in no less than 33,000 outlets.

[Szelinska] Who handles the central purchasing and subsequent sales distribution of cigarettes? I understand that Spolem intends to increase its cigarette sales, which is bound to change the typical pattern of buying them in Ruch [state news dealers' enterprise] kiosks.

[Glowacki] It is a very good thing that Spolem handles goods outside its range. Previously, Ruch used to handle most cigarette sales, while other traders got mere scrapings, or the surplus that Ruch could not accommodate. Now we have the reform and it has meant the exit door for many. Every trader can now visit tobacco products warehouses--and every trader does. Afterwards, local



squabbles begin to erupt, as Ruch accuses Spolem of taking away its cigarettes. And whose fault is it? Come to think of it, it had never occurred to me--when I was still a smoker--to buy cigarettes in a grocery store. In Ruch kiosks they are never stored for too long, and they smell of tobacco and newspapers, whereas those you get from grocery stores can smell of anything.

It is wrong to claim that someone is taking away your merchandise from you. Certainly the stronger, more flexible enterprise will find it easier to get the merchandise it wants. The reform is not meant for the incompetent. The reform offers premiums for the best.

[Szelinska] All the same, somebody seems to be torpedoing deliveries to Ruch kiosks. There was a time when it was impossible to buy notebooks, stationery articles, or even headache pills there.

[Glowacki] Certain ranges of student notebooks such as, say, 16-page notebooks, are on the list of government tenders and that is why they are shared between individual stores according to precise allocation schedules. The remaining ranges of school stationery are not included in any such scheme, and you can try to buy them anywhere, including Ruch kiosks. Incidentally, I should like to point out that socialist commerce can boast of two inventions that deserve to be encouraged, namely the Ruch kiosks and dairy food snack bars. A Ruch kiosk is a department store in miniature. In suburban areas, between Saturday evening and Sunday noon, a Ruch kiosk does the job of a whole range of stores: It sells newspapers, books, stationery and toilet articles, cosmetics, toys, gifts, and even underwear. Perhaps it ought to sell an even wider range of goods. But an abundance of goods is not one of our headaches nowadays, and perhaps this is why everybody has been clamoring for a fair distribution of what is available (meaning one that they would benefit from). That is not a way to solve the problem. I would like to see a sufficiently high production increase for the manufacturers to have to beg commercial buyers to take more notebooks to sell through Ruch kiosks!

[Szelinska] Could we define more precisely the extent of rationing and steered distribution of goods, in its different forms, in 1985?

[Glowacki] They are estimated, together with the centralized purchase system, to constitute no more than 32 percent of our trade turnover. This means that two-thirds of the total volume of commodities are in the hands of buyers for commercial enterprises and store managers. That is by no means a small proportion. It has even proved too much for some. There are still some traders around who cannot put their independence to good use. They do not, for example, try to get more merchandise on their own initiative but rely exclusively on their wholesalers. In any case, neither the past nor the current remuneration systems have ever offered any bonuses for initiative. People collect their pay simply in return for being present in their stores, since employees are often paid by the hour. I believe that this constitutes an important reason for the lack of any obvious effects of the reform in our commerce.

[Szelinska] But that reason is not something permanent. It can easily be removed.



[Glowacki] That is happening already. New pay systems are being set up. I believe that basic pay in commerce--unlike in industry--should by no means constitute the largest element of one's pay packet. The bulk should be provided by such nonconstant elements of remuneration as bonuses for initiative, presentation, turnover volume, keeping the store clean, and, finally, bonuses for smiles on salesladies' faces.

#### More Pay When You Smile

[Szelinska] How should the sales staff be remunerated for smiling at their customers? I agree that a smile is just as important as the range of goods the store stocks.

[Glowacki] If we can nowadays trust a store manager with goods to the value of, say, 280 million (for such stores do exist), then we must also trust him to be fair when distributing monthly bonuses among his staff. What I mean is that store managers must have bonus funds at their disposal. If one particular sales lady has been particularly good in any given week, the manager should take note of it and announce at the end of the week that she has earned, say, an extra 21,000.

[Szelinska] Are we talking about theoretical or actual method of rewarding sales staff for their work?

[Glowacki] Remuneration systems that offer incentives have already been introduced in 20 state commercial enterprises out of the existing 73, and people there are paid for the quality of their work, not for the time they spend in the store. The WPHW [Voivodship Domestic Commerce Enterprises] in Torun and the WPHW in Lublin are outstanding in this respect. Director Rekiel surpassed himself and created what I believe to be the best pay system of all. The same goes for the WPHW in Bialystok and the Metropolitan Commerce Enterprise in Warsaw.

[Szelinska] And the one in Bielsko-Biala?

[Glowacki] The WPHW in Bielsko-Biala is a thoroughly commendable enterprise. Run by Director Kastelik, it was one of the first to introduce longer trading hours. Its staff are well aware of the fact that the volume of turnover is crucial for their success. That is why I always maintain that the reform will not be successful until those in managerial positions succeed in teaching its principles to all below them, down to the humblest member of staff. Every Tom, Dick, and Harry must know that if they botch a day's job, their firm will suffer losses and they personally will get 2500 less in their pay packet.

[Szelinska] Minister, it still happens sometimes that a PSS chairman or a WPHW director is only familiar with his gross financial accounts and has no idea how much his individual stores may have profited (or lost). Can anyone run an enterprise without such basic information?

[Glowacki] That is indeed an Achilles' heel of our commerce. Directors standing at the head of enterprises know the general levels and structures of their

costs and have some understanding of where these arise. I do not believe it feasible to run a detailed accounting system for more than 120,000 stores throughout the country. It is certainly necessary to start keeping profitability charts for selected outlets to find out where costs are generated, what their structure is, and what trends have appeared over the past few years. We simply need to know where we can make or save money. My ideal dream is for every single store or other outlet to start keeping its own profitability chart sooner or later. After all, all costs ought to be monitored and their levels ought to determine work forces' pay. If every saleslady remembers that out of each Z100 saved she gets Z50 and the enterprise the remaining Z50, she will be sure to remember, say, to switch the light off when leaving the store-room.

[Szelinska] Recently the "Warsaw TV Courier" [local news and consumer affairs program] was showing large stores where neither the managers nor the sale staff had any idea how long butter remained fit for consumption. Can the same people, then, be interested in saving electricity, or in the fact that their store is losing money?

[Glowacki] Unfortunately, personnel employed in our commerce sector are both not stable and unskilled. Contrary to appearances, work in a store is very hard and consequently we have massive personnel turnover. Job specialization has all but disappeared: the same salesgirl who was selling butter yesterday is working at a general hardware store today, and tomorrow she will move on to footwear, and then to bicycles. This is how you get cases of incompetent service. Nobody can be that versatile. People must be given time to specialize in any given field.

[Szelinska] Is this not an exaggeration? I can appreciate that work in a photographic or domestic electrical goods store requires a high degree of expertise, but how much does one need to know about butter? It can all be learned within a quarter of an hour.

[Glowacki] Dairy workers would get offended at this! It only appears as simple as that. You need only to look at the latest list of butter prices: There are so many ranges and grades that it is not easy to memorize the length of fit-for-consumption periods for all of them.

The work of sales staff is made more difficult by the great variety and unintelligibility of packaging. On the occasion of the most recent increase in butter prices the commerce sector introduced the kind of packaging that in itself constitutes information for the customer. Fresh butter is always wrapped in greaseproof paper, and cold-stored butter in foil. In any case, it is always the expiry date of the fit-for-consumption period, printed on the wrapper, that one should go by. I know that the wrappers should be used the other way round, as foil is lightproof and would be ideal as wrapping for fresh butter, but what we have managed to achieve so far is good enough for the time being.

[Szelinska] Is there any danger at all that we will return to butter rationing?

[Glowacki] The government announcement was unequivocal: abolition, not suspension of butter rationing.

#### A Preserving Agent

[Szelinska] We keep hearing about large quantities of sugar that are supposedly lying around in storage sheds throughout the country and solidifying into hard lumps while we still have to buy it against our ration coupons.

[Glowacki] The Agriculture Ministry has asked us to apply particular economy measures in the distribution of sugar outside the rationing system. Supplies of rationed sugar are certainly not going to run short, but we must remember that this is only one, and by no means the most important outlet for this commodity. The bulk of our sugar supply is used by fruit products manufacturers, fruit processing works, bakers, confectioners, pastry makers, and so on. Sugar is an excellent and inexpensive preserving agent, and many products have been found to have a considerably higher sugar content than that prescribed by the regulations.

[Szelinska] Are we, then, to forget about ever being able to buy sugar in the normal way?

[Glowacki] The commerce sector is a determined advocate of abandoning sugar rationing. But such a decision would also involve normalizing our meat economy, as meat ration coupons are interchangeable with sugar ration coupons. If we were to abolish sugar rationing now, on the one hand there would be a significant increase in sugar consumption and on the other hand we would have to buy several tens of thousands of metric tons of meat abroad each year. The government has promised that it would come back to it after the 1985 sugar campaign is over. I think that sugar rationing is a blemish on our whole economy, not just the commerce sector. It has, after all, been with us since August 1976.

[Szelinska] Minister, why is there no candy in our stores? Are we not, after all, a potato-growing power?

[Glowacki] I am no expert in that field, but I do know that starch and sugar alone are not enough to make candy. You also need a whole range of refining components, and we have always imported those.

[Szelinska] I have bought Polish "Krowka" fudge abroad, and I know that it enjoys an excellent reputation in Europe, while its manufacturing process is said not to be too complicated. Could our commerce encourage its production?

[Glowacki] Of course. Candy can be manufactured in small factories. I trust that our colleagues will sooner or later stumble upon that truth. I have great hopes for a dynamization of the small manufacturing industry, especially as opportunities for it have been created. To date the Small Manufacturing Industry Development Fund stands at 20.5 billion. It is not a staggering sum, but it makes it possible to start many new plants working. In many cases the premises are already there, and all that is needed is some 23 to 25 million to

to buy the machines and get on with the production. You just have to have the will to do it and realize that small is beautiful. The reform does not tolerate gigantism.

#### Microcompetition

[Szelsinka] Let us again return to the problems of the reform. What, is your opinion, are the main elements of the reform within our commerce?

[Glowacki] The driving force in the development of commerce--which is the aim of the reform--is competition. Competition should take place between different sectors of commerce, enterprises, and stores. Is it in fact taking place? Not yet! The reason for that is that monopolized commerce makes competition very difficult, as does the financial situation in commerce. We want to make commerce financially rewarding. The recent markup increase has made trading in foodstuffs profitable, and so state commerce enterprises are going to be selling more of those. Consumers' cooperatives have now fully launched into selling nonfood goods. The PHS also has its own stores, so there is a chance that we will gradually learn to work in a system of real competition.

[Szelinska] Will there be room for manufacturers' own retail stores in the model of the new commerce proposed by the ministry? I get the impression that there is a real campaign against them.

[Glowacki] Certain aberrations of the market have made so-called public opinion, and often also that of local authorities, unsympathetic toward the idea of manufacturers' stores. Some Radoskor [footwear manufacturers] stores, for instance, were selling 50 percent of the voivodship's "allocated quota" of shoes. Customers would wait in monstrously long lines outside these, while the WPHW stores stood deserted. That situation was caused by goods shortages, not by manufacturers' own retail stores. I believe that they are necessary, to test the market and sell trial lines, not mass-produced ranges. Besides, they have another, important role to fulfill: They ought to serve as manufacturers' showcases. I do not believe that manufacturers' own retail stores can in any way threaten commerce and its institutions. I merely laugh when the massive state commercial institutions rage against the few manufacturer retail stores in existence, but I do protest at plans to take over the WPHW store premises and open manufacturer retail stores there.

Another important element of the reform in commerce, besides providing conditions for a development of trade competition, is relating the wages of store staffs to their turnover and to the quality of their work. We have already spoken about this.

However, we must not look only at the internal situation in our commerce. The circle of partners with whom a commercial company deals in its trade is equally important for it. What I mean to say is that we will not be able to reform our commerce without abolishing manufacturers' monopolies and altering the overall production orientation of our whole economy. Our economy still lacks a pro-market orientation. Today a lot is being said about pro-export bias. That is a mistake! We cannot create an economy with a pro-export bias if we do not make it market-oriented first.



[Szelinska] Having listened to everything you said, I conclude that a reform of our commerce is still awaiting its chance.

[Glowacki] This is not true, for we are getting a lot done even now, but you cannot expect our commerce to work miracles when we know that we have not attained the desired results in other fields either. Let me remind you that the fundamental goal of the reform was successful economic management in its broadest sense, including the practice of relating pay to productivity increases. But in the meantime our wages funds continued to grow faster than the volume of market supplies. That is why, instead of leaving the crisis behind in one leap, we are just crawling out of it. The rate of inflation is still quite considerable, and there is tremendous pressure on the market. I am thus coming to the heart of the matter. There can be no real reformed commerce without a balanced market, either as a whole or in particular market sectors.

[Szelinska] This view is a dangerous one insofar as it suggests that we should attain that balance first and start concerning ourselves with the reform later. But is the aim of the reform not the other way around, that is, to arrive at market equilibrium as its result?

[Glowacki] I only stipulate that, as a result of a market-oriented nature of our economy, we can bring about a state of balance between money supply and market supplies, by increasing production and imposing strict control on the financial incomes of the population. I totally disagree with the view that a lack of market equilibrium precludes reforming commerce. Full effects of the reform in commerce, however, are dependent on successful implementation of the reform throughout the economy. Is our commerce, in any case, prepared for operating with an abundance of goods available? To start with, we do not have enough store premises, nor do we have sufficient numbers of sales staff who would be able to sell the goods satisfactorily. Nowadays not every salesgirl in a store selling stereo equipment can demonstrate how to operate the complicated units. In the old days it was enough to turn just one knob, while today it is often necessary to press several keys, some of them perhaps at the same time, to tune the equipment, to regulate reception level. We are short of arguments that could encourage customers to buy goods, and in the situation of increased supply that could prove a very considerable handicap for our commerce.

[Szelinska] In your opinion, what are the most significant obstacles to the implementation of the economic reform in a commercial enterprise?

[Glowacki] Enterprise autonomy and self-management are very largely dependent on the enterprises' ability to finance themselves. Unfortunately, this last element of the reform has not found application in practical terms. In a report submitted to Prof Wladyslaw Baka [government plenipotentiary for the reform] we stated that none of the sectors of our commerce is capable of self-financing, not even the state commerce sector, which--although it is in a bad shape--is still far better off than the spolem and the Samopomoc Chlopska [farmers' cooperative enterprise]. Neither of our commercial cooperatives has found enough funds even to sustain the current expenses of running their outlets. I will not speak here about simple reproduction, that is, about

maintenance or reproduction of assets, nor will I mention any kind of development. This problem cannot be solved through any financial concessions. Our ministry has suggested abandoning the wide range of concessions that invariably reward those who are the weakest. We proposed a systems solution instead. The government adopted a resolution on improving the financial situation in our commerce. This resulted in markup increases, from which we profited by 232 billion. Later, unfortunately, corporation tax went up, which made the economic calculation less profitable. We do, however, believe that increased turnover, along with certain price increases which are to be introduced, will raise our returns. We also plan to resume our talks with the finance minister if these operations prove unsuccessful.

[Szelinska] The whole operation will take place at the expense of the customers, as the money will be taken from our pockets....

[Glowacki] It will only seem so. For I do not believe that non-profitmaking commerce can be in the best interest of its customers. Increased markups have meant that selling food is also becoming profitable. This year the ministry intends to work out a system of setting markup levels in relation to an index of costs that are outside commerce's control. Producer prices are going up, as are those of electricity, transportation, communications, and rents. Therefore, markup levels must be going up too. Otherwise commerce will have no funds for development, which means that customers will have to do their shopping in steadily deteriorating conditions.

Direction: Profitability

[Szelinska] Who is going to build new store premises in new residential districts?

[Glowacki] It is true that the so-called ancillary building construction sector has found itself in an impasse. Housing cooperatives are having difficulty obtaining bank credits, while construction workers are anything but eager to build store premises, as these involve nonroutine work and the finishing jobs are very labor intensive. Our commerce, on the other hand, cannot afford to purchase store premises wholesale. We are changing this now. A new standard regulation, allocating 350 square meters of usable floor area for store and service outlets per 1,000 inhabitants of a residential district, will be coming into force. We believe that such a standard is as essential as those which regulate the number of parking spaces, carpet-cleaning racks, refuse collection points, elevators, community laundry and drying facilities, and so on. A relevant provision covering this question will be included in the amended Council of Ministers resolution on the socialized housing construction industry. The standard only provides, of course, for the basic range of shopping and service facilities. A self-respecting planner or investor will always allocate some 700 to 800 square meters of usable floor area for stores and service premises per 1,000 inhabitants. Most attractive development programs have been prepared for a majority of residential districts, envisaging second and third categories of facilities.

[Szelinska] And things stopped at the program stage. Those areas lack even grocery stores, not to mention some specialized outlets or service facilities.

[Glowacki] This happened because regulations governing the progress of housing construction were incompatible with reality. We believe that a housing cooperative should receive one single credit instead of separate credits for residential construction (these are relatively easier to get) and for the construction of store premises in the form of free-standing pavilions. As soon as the future user takes over his premises, he should assume responsibility for the repayment of the credit. We are proposing many different repayment schemes, including one in which repayment is spread over 15 years. Thanks to these, the PSS, the WPHW, or another enterprise can collect sufficient funds from its depreciation allowance and its profits. The sums involved are by no means trivial. An average shopping pavilion with a floor area of 1,000 square meters costs about 250 million these days.

[Szelinska] When will these new regulations come into force?

[Glowacki] I trust this will happen before the end of this year. We place great hopes in them. Housing cooperatives will no longer be able to make excuses to their members by claiming that banks refuse to give credits for the construction of shopping facilities. They will cease sending their members to take the matter up with people's councils, or with party voivodship or borough committees as they are in the habit of doing now. At present it is the authorities who are responsible for the lack of shopping facilities in residential districts, whereas that responsibility should rest with the investors--to whom, in turn, the builders should be answerable.

[Szelinska] Does the ministry see the future of dairy food snack bars in equally rosy hues?

[Glowacki] We view it realistically, but it does look hopeful. Joint action by the SEJM Commission for Domestic Trade, Small Manufacturers, and Services together with VETO and the Ministry of Commerce bore fruit in the form of the finance minister's agreement to the continuation of subsidies for dairy food snack bars. As of 1 April this year subsidies on dairy, egg, and vegetarian dishes will [as published] be increased to 48 percent. As of 1 January 1986 markup levels for all the remaining products will also be increased, in this case to 25 percent.

[Szelinska] This means that we can expect prices to go up in the very kind of snack bar which was supposed to be the least expensive?

[Glowacki] Not at all. Subsidies will go up, and these come out of the state's budget. The 48 percent allowance will mean that dairy snack bars will finally cease to lose money. The markup increase will provide funds for development.

In the future we would like to introduce negotiated prices for all dairy snack bar dishes outside their dairy, egg, and vegetarian range. Why should a bread roll with cheese spread and fried mushroom cost 250 and net good profit only for the enterprising owner of a street snack stand? Such rolls could also be sold in dairy snack bars, except that until now this has been unprofitable because the 10-percent markup automatically condemned any such scheme to making

a loss. If we were to introduce negotiated prices in dairy snack bars--only for the extra dishes on the menu, of course, not the traditional ones--the range of dishes on offer there would surely become extended. In summer we could, for instance, buy ice cream there again. Please not what the ministry is aiming at: We want to create a range of systems that would guarantee full profitability in return for high quality, highly productive work. This is the supreme goal inspiring all our activity, whether it be adjusting the commercial markup, solving the problems of the ancillary construction sector, sorting out dairy food snack bars, or other things. That is why the claim that there is no room for reform in commerce cannot be vindicated. We oppose the old accustomed patterns of thought that go as follows: I have a small but steady salary, with telephone access to my own storehouse facilities, and a crowd of customers begging for my merchandize. Now we should go actively after new merchandise and pamper the customer.

[Szelinska] Franchise operators have mastered that art quite well. Do you see room for them in your reformed commerce?

[Glowacki] Most certainly. It is fashionable to grumble about franchise operators. This being the result of the lazy attitude taken by certain state and cooperative outlets. A considerable proportion of commercial and small manufacturing enterprises in the GDR is in the hands of private operators, and no one objects to this. Some 20 years ago, when I drove a Trabant Car, I used to travel to the GDR to get it repaired. A few miles from the border there was a small private repair shop which held a Trabant licence to repair their vehicles under guarantee. But here we like to look for a scapegoat. It is very easy to point a finger at franchise operators and demand that the government sort them out. After all, a franchise operator works under the banner of the given enterprise or cooperative. Whether the job he does is good or bad, it always reflects on the management of his parent company.

[Szelinska] Minister, this morning I heard on the radio that Poland's largest department store, the Opolanin, is being evacuated. Two of its stories are threatening to collapse. The store was only opened some 18 months ago. What is your comment on this?

[Glowacki] It looks like a typical scandal in the construction industry. Several score years ago the builder would have shot himself. But it should be investigated to see if there has not been some malpractice in the way the building was being utilized.

[Szelinska] Thank you for the interview.

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POLAND

## BAKA SUMMARIZES REFORM PROGRESS, PLANS

Warsaw RZECZPOSPOLITA in Polish 25 Jul 85 supplement REFORMA GOSPODARCZA pp I, II

[Article by Wladyslaw Baka: "Evaluation and Conclusions"]

[Text] The "Report on the realization of economic reform in 1984" adopted by the Council of Ministers at a meeting on 5 July 1985 differs from its predecessor in that aside from evaluating the situation in 1984, it also characterizes the achievements of economic reform over the entire 3-year period of 1982-1984. The report used a solid analytical basis to assess whether we are heading in the proper direction and the corrections and systems development as well as the practices used can satisfy the policy of general changes outlined by the 9th Congress. On the other hand, the report also took a global perspective to determine what must be changed or improved or introduced to the economy to create the objective conditions and premises for social and economic growth in 1986-1990.

These are the basic themes of the report.

First: In 1984, another important step toward economic reform was made despite the fact that there were still strong limitations imposed by economic equilibrium and, due to subjective factors, we were still unable to bring into full action cadres that could take advantage of the possibilities offered by the new principles of management. The system changes introduced at the start of last year have increased the efficiency of the new mechanism of economic functioning. For example, the replacement of a graduating income tax with a linear one has encouraged firms to take a greater interest in saving materials. Intensification of the system of payments to the State Fund for Professional Activation [PFAZ] was the essential factor in achieving a planned relation between the growth in wages in industry and increased productivity and changes in pricing have helped stabilize retail prices within boundaries set by the central annual plan.

Second: In 1984, the mechanisms and instruments of economic management were effective enough to bring the structure of production in line with the principles of social and economic policy. Firms became more independent. In nearly 90 percent of all firms, the worker self-management bodies successfully fulfilled their statutory obligations and worker involvement in management

became an important element of social and economic life. Completely new partnerly relations were developed between the worker self-management councils, the firm management and both the central and regional state administrations.

Third: In 1984, the reform was more influential on the economy than ever before. This influence was for the most part positive. For example, thanks to the action of the new mechanisms, economic growth was achieved faster than expected in the central plan. Positive tendencies in management efficiency came to be felt. Another step was made toward a return to economic equilibrium.

Fourth: The achieved progress cannot veil continuing weaknesses in the functioning of the economy and unsatisfactory results in several economic sectors. A high finance profit is still not always accompanied by a high degree of efficient management. This is mainly the result of defects in the system of prices and appropriations. This weakens the rigors of self financing. There are several unsolved problems in the realm of wages. A large number of firms have already worked out really motivating and just principles of pay. However, there are still other firms in which it is hard to find the proper connection between work and wages. Despite visible signs of improvement in inventiveness and efficiency, it is hard to talk about any innovational dynamism in the economy. The situation is nearly the same with products and services. Investments continue to be not very efficient.

Fifth: Comparison of the pluses and minuses, analysis of macro-economic processes and observation of the changes being carried out in firms under the influence of the new management principles prove that the basic premises of reform are working in practice. There are no good reasons to question the correctness of the road taken over the last 4 years. Such opinions dominated discussion that took place in many firms before the National Economic Party Conference. This was the main line of thought at the conference and is also the final overtone of the report.

The report included the general conclusion that social and economic development in the coming 5 years requires reinforcement and development of the current policy for restructuring economic functions and that more consistent realization of the basic principles of reform is where we must find the answer to our problems.

The report concluded that the following are the basic directions for continuing reform:

- consolidation of the basic principles of economic reform which, on the one hand, comprise greater strategic functions of central planning and on the other hand the independence and self-financing of firms and worker self-management bodies;

- raising the level and increasing the efficiency of central economic management by improving the state administration's functions, methods and style of action;

-- development and more activity by regional self-management, worker self-management and cooperative self-management (as basic forms by which working people can participate in economic management) and further progress in making public the process of social and economic planning;

-- improving the essential developments, verification and corrections of systems solutions and economic tools with regard to the conditions and principles of economic development;

-- growth in the spirit of enterprise in the activities of economic cadres, a broadened field for the initiative and innovation of firms and development of elastic forms of cooperation and organizational ties between firms.

At the present time, work is continuing to specify the enterprises that are supposed to lead practice along the directions suggested in the report. Precise activity schedules have been worked out so that we can as soon as possible determine the system conditions for business activity from 1986. The majority of improvements can be arranged by updating legal acts of an executive nature and above all by more active use of existing system regulations. There were also recommendations whose realization requires changes in several legal regulations. These cases were indicated in a bill sent the marshall's staff on a law on the adoption of the provisions of several laws outlining economic functions to the objective conditions and needs of the nation's further social and economic development.

Here are the concise characteristics and arguments of the proposed changes.

Article 8 of the law on prices should be updated. It states that "if the seller, by taking advantage of a monopoly, attains a level of profits that offensively deviates from the level of the average, the minister for pricing affairs can etc...". It is felt that the use of this provision would hinder technical progress that could reduce manufacturing costs. Lowered costs together with the right to keep the sum of profit means an increase of profits and as a result can bring about the charge of "profit offensively exceeding the level of average profit". This is why it has been proposed that the term "offending profit" be replaced with the more easily-verified category "offendingly high price" as one that would justify action by the minister of pricing. This might make it possible (for example by lowering material costs) to achieve a high rate of profits as long as it lowers prices (which is often made possible by technical progress) or does not raise them.

According to the postulates of bodies such as the Economic Consultation Council, it has been proposed that the minister of pricing be authorized to introduce agreed-upon price ceilings for given products for a certain period of time. The council also proposed that regional pricing bureaus be notified beforehand of any intention to raise prices and that whenever necessary these bureaus be authorized to reject any such increases. The introduction of these corrections will make it possible to use more elastic and selective pricing that is closely adapted to the principles of this policy and to market conditions.



An object of general criticism was payments to the PFAZ. Of course, the term "PFAZ payments" is not adequate to the function that it plays. It would be more proper to introduce a term that more correctly describes its actual role, namely a tax on above-normal wages. Such a proposition is also included in the bill. The government is also critical of the present system's inadequate consideration of the actual conditions presently found in certain areas of the economy. After keen and extensive analysis of the problem, the government came to the conclusion that it is not possible at the present stage to stop regulating wage sizes by graduated taxes on above-normal wage payments. This would have a murderous effect on the market equilibrium and would reactivate the inflationary spiral with all of its negative effects. This type of tax should be applied because it is in everyone's interests. It is also in the interests of the firms that so often complain about the burden of pay hikes.

The proposed changes to the law on financial management above all consider two problems. First, firms should be given the authority to create a start-up effects fund [fundusz efektow wdrozeniowych]. This fund would be formed from part of the still-untaxed profits created by new technical or organizational solutions. The fund could be used to reward the authors of innovations or persons directly connected with their introduction and would be exempt from income taxes and contributions to the ZUS [Social Security Agency]. The introduction of the proposed changes should increase motivation to use new technologies and production systems. Second, firms should have more rights to independently (by agreement) transfer or, for example, loan financial resources to other firms. The new law also calls for the creation of some possibility for firms to issue bonds to make it easier for them to accumulate the financial resources necessary for the development of areas that most effect the satisfaction of public needs (such as telephones). This can be used as a means of guiding savings.

Intensification and more precise statement of the conditions under which the internal procedures of the law on bankruptcy and correction of a firm's management are to be initiated will be very important in increasing the rigors of self-financing. Namely, it is being proposed that such proceedings be started as soon as there is any danger that any of a firm's payments from its profits to the state budget (including taxes on above-normal wage payments) exceed the firm's balance profit or if the firm's ability to finance a development fund or other such funds becomes endangered. This is really a matter of its ability to pay off bank credits along with the proper interest and scheduled payments connected with investments realized by the firm.

Considering the prospects of a continuing shortage of many important raw materials and the need to manufacture products of particular importance to consumers and the national economy, it is being proposed that the Council of Ministers have extended over 1986-1990 their authority to set priorities to realize government orders and operational programs. Realization of these priorities will be based on the principle of voluntary participation in the form of contracts. Current practice has shown that supply guarantees and sometimes also financial preferences are a strong incentive for firms to compete for government orders. This principle will continue to be developed and strengthened because it has been recognized that it would be appropriate to extend for the next 5 years the authority obligate firms and other



socialized economic entities to contract for orders or an operational program on principles established by Article 54 of the law on state-owned firms. It is also felt that it is necessary to extend through the end of the current decade the authority of the Council of Ministers to introduce necessary deviations from the principles for modifying work time norms in factories very important to the national economy or national defense as well as in public utilities within limits not exceeding the work time norms established by the labor code.

All of the proposed changes are aimed at strengthening the system conditions that can lead to improved efficiency, restore economic equilibrium and prevent inflation and bring about technical progress, innovation and restructurization of the economy. Among other things, this is expressed by the unity of the system of functioning and the strategy of social and economic development.

12261

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POLAND

## WHY INDUSTRY DEVELOPMENT FUNDS POORLY EXPLOITED

Warsaw RZECZPOSPOLITA in Polish 15 Jul 85 p 3

/Article by Krzysztof Bien/

/Text/ The crisis of the 1980's did not, unfortunately, spare the area of science and technological progress. The rate of research fell; the shortage of funds curtailed its application; and in general, the share of science in the distribution of national income decreased. The further continuation of this state of affairs threatens immeasurable consequences in the future. After all, the world does not stand still and will not wait for us. However, the lack of funds continues to be severe. Therefore, the news that we are not able to fully exploit the meager funds which we have for research sounds all the more perturbing.

The fund for technological and economic progress, which is computed into the burden of costs of enterprise activity, serves the financing of factory commissioned research. The size of the fund varies in various industrial enterprises. However, the principle remains unchangeable that half of the accumulated funds go into the centralized account and serve the financing of more important research undertakings. The other half of the progress fund assets are at the independent disposal of enterprises who manage them according to their own discretion. In practice, a considerable part of these assets (according to the information given by the Ministry of Finance, toward the end of 1984, they amounted to as much as 47 billion zlotys!) are not exploited. This arouses the natural envy of those who lack funds.

### Billions in the Account

What are the reasons for this phenomenon? Is it possible that our industry, unlike in the rest of the world, is not interested in progress, in new forms of products or in technological changes in their production?

"There is a constant lack of 'pull' for technological progress. Research institutions," stated Deputy Elzbieta Rutkowska at one of the recent sessions of the Sejm Industry Commission, "should be deluged with commissions /zlecenie/ from industry. After all, there are a number of things that should be corrected or improved upon. We have a very

material—and energy-intensive industry with high raw material consumption indexes and an expansive technology. Meanwhile, the reality of things is different. It is rather the subsidiaries */zaplecze/* that turn to industry, that seek out needs and kindly ask for the commissioning of research studies."

"Enterprises do not reveal," adds Deputy Dobrimila Kulinska, "greater interest in the application of innovations fearing the risk associated with incurring specific expenses from their own funds. The main reason, however, is the current market situation."

However, it would be a mistake to attribute such a conservative attitude to all producers. There are many among them who are true supporters of progress. The necessity of development is particularly well understood in enterprises which in order to survive must import and in order to import, must export first. This is the beneficial effect of the institution of foreign-exchange allowance accounting */instytucja rachunku odpisow dewizowych/*.

However, why do unused funds for technological progress remain in these enterprises as well? Frequently, it is simply because there is nothing to spend them on! "It is not only enterprises that are responsible for the lack of interest in innovations," stated Prof Edward Grzywa, minister of the chemical and light industry, during the aforementioned discussion in the Sejm. "This is also determined by the selection of research topics by subsidiary agencies. Only 10 percent of the assumed topics brought concrete economic results. The remaining 90 percent did not."

Therefore, the remark made by Deputy Stanislaw Trojanowski is unquestionably valid that if the purchased development were to turn out to be inappropriate, then perhaps it is better that it remain on the shelf in the institute while the money stays in the account of the enterprise. After all, it is not a question of spending money on just anything but of using it wisely.

## Two Pockets

Many remarks were made on the subject of the incomplete exploitation of funds for technological progress during the recent discussion of a group of enterprise representatives--reform consultants. It would be a mistake to think that fault lies completely with enterprises that are disinclined toward innovations or with institutes that are incapable of satisfying their real needs. Contrary to Boy's */Polish literary critic of early 1900's/* words, it is easy to have problems when even two want something at the same time...

The point of the matter is that funds placed into the technological and economic progress fund enable progress but do not enable its implementation; i.e., its development. The latter is determined by a completely different enterprise fund—a development fund deducted from profit for distribution.

These funds constitute totally different pockets.

"In the opinion of enterprises," states Andrzej Szybowski, director of the FSM /expansion unknown/ in Bielsko, "the technological and economic progress fund serves exclusively to finance scientific facilities. On the other hand, these funds cannot be used for the purchase of equipment or machinery which are the conveyors of technological progress and which introduce new technology without the obligation of repaying the costs of its procurement from the development fund." "A plant's own facility is capable of carrying out many types of work by itself but the obstacle here are funds for wages," says Marian Mikolajczyk, director of the Warsaw ZWAR /expansion unknown/. "At one time, it was possible to use the technological and economic progress fund for this purpose but not today. It is necessary to either commission someone else to do the work, which usually costs more, or pay the PFAZ /State Vocational Activization Fund/. After all, even the most ingenious work does not bring production increases right away. It may bring them in the future but this is not, at all, very definite."

"What good is the fact that I have funds for the technological and economic progress fund, if I do not have funds for capital investments," snarls Wladyslaw Bujwid, director of the Surgical and Dental Instruments Factory in Milanowek. "I can turn to some institute but even then I will not be able to apply the results of its studies."

#### The Power of Stereotypes

The key to the better exploitation of funds for research are funds for development. Where can they be found? The principle commonly applied in the world of making use by producers of the effects brought about by the lowering of production costs is gaining understanding in our country very slowly. "It is much better for enterprises to sell inexpensively even if this means small profits than to sell high, but with a 10 percent profit surcharge over production costs which is considered the only suitable amount," stated Prof Wladyslaw Baka, government plenipotentiary for economic reform.

This stereotype, which results from a deeply rooted in our awareness form of price structuring, is not conducive to technological progress and to the lowering of production costs. What is worse, it deprives enterprises of the means for development. A small profit "trimmed" by reductions, which apply to financial means, does not suffice for financing any important developmental endeavors.

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9853

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POLAND

ENGINEERING PROFESSOR ON EXPECTATIONS, REALITY IN RESEARCH

Warsaw POLITYKA in Polish No 32, 10 Aug 85 p 15

[Article by Jozef Smigielski: "The Scientific Obstacle Course"]

[Text] Conditions of frustration occur when someone is urged to accomplish something that is at the time rendered impossible to accomplish, or when he stands in the face of insoluble problems. Scientists encounter many frustration-producing circumstances in their work. Here are a few examples from the area of technical research.

1. Practical results, which are usually obtained in experimental research requiring an enormous investment of work on measures having nothing in common with research, are required of scientists.

"Scientific output" is rewarded on the basis of the number of published works, which most readily are the result of execution of theoretical subjects.

2. Applying research in practice (production), which requires overcoming bureaucratic resistance and has nothing to do with scientific work, is expected.

The fact that scientists have no influence on the decisions of producers, who in the present situation are not interested in innovation, is ignored.

3. Significant funds are appropriated for research within the bounds of specific problems, whose coordinators are to assure efficient use of results.

To a significant degree, "arrangement," connections and "penetrating force" and private interests determine the distribution of funds for research and thus the effectiveness of their use is often questionable.

4. Creative initiative is expected from scientists.

Imitative work, duplication of known solutions and general "copycatting" have turned out to be more profitable.

5. Innovations, discoveries and inventions, whose achievement cannot be foreseen in advance, are expected from scientists.

Scientists are bound to precise planning of their work and to doing a good job on pain of sanctions. Therefore they must abandon verification of new ideas and concepts that occur unexpectedly.

6. Great efficiency is demanded from scientists.

Conditions for effective conceptual work are not assured, absorbing scientists with efforts for the most elementary equipment and administrative duties.

7. Full, prompt completion of planned research, requiring protection of materials and equipment, is expected.

Conditions enabling obtainment of necessary equipment within the planned time limit are not assured.

8. Great commitment and high qualifications are expected from scientists.

Conditions are not assured that permit the concentration of attention required for a continuous increase of knowledge or favorable selection in employing new workers.

9. Stimulation of scientific creativity is attempted through a system of bonuses and awards.

To a great extent, awards and bonuses have an element of chance and thus cannot play their expected role, especially given the relatively greater material benefits that tutoring, for example, assures.

10. A passion for inquiry, which can only result from real commitment, is expected from scientists.

Specific duties, for which there are funds, are imposed, ruling out the influence of cognitive motivations.

11. Development of new, futuristic concepts and solutions and laying out a direction of technical progress are expected from scientists.

A major part of funds appropriated for research is held by representatives of industry, who are inclined to support work of an improvised and imitative nature since this decreases risk and facilitates planning and control.

12. Many new scientific concepts and technical solutions emerge in interdisciplinary fields and require the control and cooperation of appropriate specialists.

Highly advanced specialization and institutionalization prevent scientists' integration and a genuine exchange of experience, while involvement in plan work prevents informal cooperation.

In this brief enumeration, specific examples and broader comments have been omitted in the conviction that everyone working in the scientific environment

knows them all too well, while for others this could be uninteresting. The statement formulated above could be seen as controversial and one could question their pertinence. But merely ascertaining the unsatisfactory efficiency of scientific activity without attempting a complex description of the reasons for the existing condition or concealing the most important reasons will not create even a chance for improvement.

12776

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## POLAND

## PARAMETERS OF PLANNING COMMISSION ACTIVITY EVALUATED

Warsaw GOSPODARKA PLANOWA in Polish No 2, Feb 85 pp 74-76

[Article by Janusz Szymanczyk: "The Legal Status of the Planning Commission of the Council of Ministers"]

[Excerpts] On 12 July 1984 the Sejm enacted two laws, a statute on land management planning (DZIENNIK USTAW No 35, item 185) and a statute on the Planning Commission of the Council of Ministers (DZIENNIK USTAW No 35, item 186). Shortly thereafter the government passed executive rules for the statute on the Planning Commission, including the order of the Council of Ministers of 3 August 1984 on the detailed scope of activity of the commission, its presidium and chairman of the Planning Commission (DZIENNIK USTAW No 43, item 225) as well as resolution No 104/84 of the Council of Ministers of 3 August 1984 on granting status to the office of the Planning Commission of the Council of Ministers (unpublished).

Both laws of July 1984, along with a law enacted in February 1982 on socio-economic planning (DZIENNIK USTAW No 7, item 51 and from 1983, No 71, item 316) completed the cycle of legislative work in the realm of planning the country's socio-economic development, including the establishment of bases for the work of a planning center such as the Planning Commission of the Council of Ministers.

As a result of these actions there emerged a group of standardized documents on planning activity consistent with principles of economic reform. It supersedes previous legal regulations formed within the bounds of organizational and legal legislative resolutions and, in particular, basic resolutions introduced by the decree of 1 October 1947 on national economic planning (DZIENNIK USTAW No 64, item 373) and in the statute of 15 November 1956 on the establishment of the Planning Commission of the Council of Ministers and suspension of the State Economic Planning Commission (DZIENNIK USTAW No 54, item 244).

In preparing the statute of 12 July 1984, the legislator used previous experience and probably on the background of this experience formulated the statute so that:



1. The scope of activity of the Planning Commission has been defined fully and exhaustively and duties have been established for the plenary assembly and presidium of the Planning Commission, as have not only the powers of the commission's chairman, but also the methods of executing those powers.

2. Within the scope of activity of the Planning Commission there is essentially a lack of rules defining the commission's decision making functions.

The detailed regulation of the commission's scope of activity in the statute may indeed guard against unrestrained expansion of this scope. For any attempt of this kind, with strict adherence to valid legal status, will require (often rather inconvenient) legislative changes. A change in the position and role of the Planning Commission must win acceptance of the Sejm.

On the other hand, where decision making functions of the commission are concerned, they may be found in the wording of the statute wherein it is determined that "... in particular within the scope of activity of the Planning Commission are initiation, direction and supervision of work" falling within its powers. The notion that the tasks of initiation, direction and supervision signifies the granting the decision making authority would be incorrect. For in examining this rule in close connection with the order of the Council of Ministers of 3 August 1984 on the detailed scope of activity of the Planning Commission, its presidium and chairman, one must come to the conclusion that the duties of the commission, consisting of initiation, direction and supervision of the working comprising the scope of its activity can be executed "in cooperation with primary and central organs of national administration." Therefore the Planning Commission of the Council of Ministers may at most fulfill the function of coordinator, although the word "coordinate" is not even used in the statute so as not to allow a possible interpretation of that word as a decision making function of the Planning Commission.

Some people engaged in economics hold the opinion that the position and significance of the Planning Commission should undergo consolidation and in this regard they attach certain hopes to the resolution of Art 10 of the statute. In that article it is determined that the issuance of orders, decrees and other legal instruments through primary and central organs of the national administration and presenting the government with drafts of bills, resolutions and decision of an economic nature that contain rules or decisions having an effect on change in determinations included in the central plan require prior approval of the chairman of the Planning Commission. The Council of Ministers resolves uncoordinated differences. These principles are undeniably sound and abiding them should serve to fortify the significance of the plan. Nevertheless, it is worth recalling that from the strength of other rules there follows the obligation to mutual coordination of drafts of documents by primary and central organs of the national administration, while contested issues, especially those of major significance, are resolved by the government. The rule of Art 10 of the statute then does not contain a particularly innovative, substantial solution.

In the text of the documents discussed above, the phrase "office of the Planning Commission of the Council of Ministers" appeared. Since then the phrase has provoked a number of comments and doubts, completely unnecessarily. Setting aside the question of the substance of the adopted resolution, it should be explained simply that all the officials and other employees of the Planning Commission are called the office of the Planning Commission of the Council of Ministers.

In characterizing in general the new statute on the Planning Commission and the executive order issued on the basis of the statute, one could formulate the basic conclusion that it has indeed been called "the primary organ of the national administration in matter of socio-economic planning and plans for the country's land management" but as it evident from the scope of its activity it is to be de facto "a collateral organ of the Council of Ministers in matters of planning," essentially merely preparing proposals, evaluations and suggestions for the government. True, the Planning Commission also has certain decision making powers already mentioned, as well as some previous authority, i.e., with regard to the distribution of machines and equipment or with regard to central investments, but as it obvious, this does not constitute sufficient justification for the prevailing appraisal of the position and role of the current Planning Commission of the Council of Ministers.

The statute and executive rules based on it are binding as of mid-1984. Thus it is too early to evaluate the work of the current Planning Commission and the effects of that work on the national economy. It seems, however, that already there are doubts--supported by many years of experience--as to whether the current position can be maintained. There are also murmurs--not only from opponents of economic reform--that we should consider whether there really is a need in Poland for the work of a specialized, leading organ of national administration, not to manage the national economy, but to direct economic development, and whether the work of such an organ must indeed be incompatible with the principles of reform.

I believe that we should not be afraid of discussion on this subject. We can fear only the return of the mistakes made in the past.

12776

CSO: 2600/1010

POLAND

AGRICULTURAL FOUNDATION COMMITTEE CONFERS

Katowice GOSC NIEDZIELNY in Polish No 31-32, 11-18 Aug 85 p 6

[Text] A meeting of the Organizational Committee of the Agricultural Foundation took place on 19 July. The current state of organizational preparations for the foundation and problems still to be coordinated with government representatives were examined.

Members of the Organizational Committee were also received by Primate Jozef Cardinal Glemp. They informed the primate about the results of recent trips abroad by member of the committee (to Norway, Sweden, Canada, the USA, Austria, Italy and West Germany) whose purpose was to secure funds for the work of the Agricultural Foundation. The primate shared information on the course of discussions with Gen. Wojciech Jaruzelski on the Agricultural Foundation. He expressed the opinion that considering the duration of discussions with the government on the establishment of the Agricultural Foundation and the time limits in which the funds allocated in the West for pilot programs must be used (at least \$17 million to be expended in 1985 and \$28 million provided for these programs), appointment of the Agricultural Foundation should be accomplished in the very near future.

Recently the government provided the Agricultural Foundation's Organizational Committee with the latest version of the draft for the executive order of the Council of Ministers on rules for economic activity carried on by foundations (Art 14, item 3 Statute on foundations of 6 April 1984) whose issuance may accelerate the commencement of activity by the Agricultural Foundation.

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CSO:2600/1010

4 October 1985

## POLAND

## ALUMINUM PLANT MODERNIZATION PROGRAM

Warsaw TRYBUNA LUDU in Polish 14 Aug 85 pp 1, 5

[Text] The aluminum plant "Konin" has for years had a dilemma: to stop pollution of the environment through higher than normal emissions of fluorine by closing the electrolysis division or to build a electrolysis series. And maybe modernize the two aluminum production rooms. This last concept won out.

Since 1983 there have been undertakings to put in a new automatic electrolytic tank. This was completely designed and constructed by specialists from the Konin plant and it has been succeeding. They already have put in four modern tanks; they have better technological processes and higher metal output from smelting. In addition, the quality is much better and what is most important, the fluorine emissions are much less. This has happened only thanks to automatic processes, closed circuit gas economy and installation of power feeders. The proof of its success has been the interest by foreign plants, among them from Hungary, East Germany and the Soviet Union.

In 1986-1990, modernization of 192 electrolyzers will be introduced. If this task has to be carried out without any loss in metal production, then we first must build a new room with 24 tanks. It is expected that the annual output of electrolysis should increase by 12,000 tons of aluminum.

Also under consideration is the construction of a plant to melt anodes. This will simplify the technology and be safer for the environment. It is expected that after modernization of the aluminum plant, the fluorine emissions will decline from 5-6 kg at present to produce 1 ton of metal to less than 1 kg. The entire undertaking will cost (in 1985 prices) approximately 27 billion zlotys.

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4 October 1985

## POLAND

## COAL TRANSPORT STILL BEHIND SCHEDULE

Warsaw RZECZPOSPOLITA in Polish 16 Aug 85 p 5

[Text] From the beginning of this year, implementation of transportation tasks for goods movement has not been good. As a result of information obtained by RZECZPOSPOLITA journalists from the Ministry of Transportation, these tasks have not been implemented during the first 3 months of the year. Approximately 10 million tons of goods to be shipped by rail and 3 million tons by truck remain. Moreover, deficiencies remain in the system. In 7 months, PKP [Polish Railroad] completed 98.4 percent of the plan, which means that the deficit has increased by 13 million tons, while it was approximately 6.5 million tons for the trucking industry (89.1%).

The transport plan for 1985 is much higher than transport accomplished in 1984. However, a very hard winter and causes beyond the control of the transport industry have meant unaccomplished tasks for priority transport of coal. During the first 7 months of this year, coal transport by PKP from Silesia has been lower by 2.6 million tons as compared to the same period last year.

Making up the deficiency is very difficult because rail and truck transport have lower than planned potential transport. First of all, there is a shortage of coal cars. We have had a reduction in rolling stock by 30,000 tons during the 1979-1984 period. Also in 1985, there is a planned withdrawal from use of approximately 10,000 freight cars. During the first 7 months of this year, we already have withdrawn almost 6,000 cars.

As regards this situation, at the end of last year and the beginning of this year, some serious activity has been undertaken to stop the decapitalization of transportation property, among them railroad cars. During the past 7 months of the year, more than 9,000 railroad cars have been repaired and the government has made the decision to purchase new railroad cars, some from abroad, upping the total from 6,000 to 7,600 cars. In the last months, PKP has acquired 4,000 new railroad cars, mostly of large capacity.

As a result of the decreasing technical efficiency of railroad cars (so-called sick ones), during a period of 24 hours last July, over 36,500 railroad cars were withdrawn from service. This impacted also transport for enterprises, both foreign and domestic, and the seaports relying on the services. Delays this July were higher than those last July by almost 400,000 tons.

Despite the deteriorating situation for rail clients, the loading force has cut loading time by 0.11 in 24 hours as compared to last year. The loading area for the cars also has improved. As a result, July of this year saw an increase of 1.1 million tons as compared to July of last year. However, implementation of the efficiency plan for this month did not deviate much from the planned task (600,000 tons). Nevertheless, July did not see an improvement in transport. We are awaiting statistics on the transport of aggregate stone, wood, fertilizer and priority coal.

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4 October 1985

## POLAND

## SILESIAN MINING, METALLURGY FAIR

Warsaw RYNKI ZAGRANICZNE in Polish 22 Aug 85 p 4

[Text] On 27-31 August 1985, the Silesian International Mining, Power Engineering and Metallurgy Fair--Simmex 85 will be held in Katowice. The exhibitors in these particular areas will have the opportunity to present their products for the first time. The slogan for the fair is "Save Energy: Technologies for Mining, Metallurgy and Power Engineering."

The goal above all of this fair is to introduce Polish export products. It also is important to introduce our representatives and others to the latest achievements in technology, measuring equipment and safety devices.

Simmex 85 has announced the participation of 15 states: Austria, Belgium, France, The Netherlands, India, Japan, Yugoslavia, Poland, West Germany, the United States, Switzerland, Sweden, Hungary, Great Britain, and the Soviet Union. Two hundred firms will participate in the fair, 134 Polish and 66 foreign. The exhibition area comprises over 11,000 m<sup>2</sup>, of which Poland will have approximately 6,000 m<sup>2</sup>.

The Polish exhibits will be organized mostly by an exhibition committee: metallurgy, machinery industry, mining and mining machinery. Eighty-seven exhibitors will participate under the first category. These include production and science institutes. Among others, they offer machinery and equipment for mining, control measuring devices, safety mechanisms for power engineering and mining, machinery and equipment for metallurgy and other branches of industry, metallurgical goods, complete power stations and machinery and equipment for power engineering. Polish mining offers, among others, complete mining installations, transport, environmental protection equipment, control measuring devices, hydraulic equipment, safety equipment, lighting and rescue equipment and technical services.

The largest foreign firms are from West Germany and Austria. Other famous firms from the West also have confirmed their participation. A great deal of interest in this fair is being shown by firms from the socialist countries.

It is expected that mining enterprises from Upper Silesia will visit Simmex 85. The foreign trade departments of Centrozap and Kepex are organizing such visits.

In addition, a delegation from the underdeveloped countries sponsored by UNIDO will attend Simmex 85. The educational sessions will begin two days before the fair. The Ministry of Foreign Trade and the Katowice branch of the Polish Chamber of Foreign Trade are organizing these sessions. Topics include the scientific achievements of the country, and technology of mining, metallurgy and power engineering.

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POLAND

BRIEFS

**POLE VICECHAIR OF UNIDO**--The Polish representative, Ambassador Stanislaw Przygodzki, was elected unanimously on Tuesday as vicechairman of the Council of the United Nations Industrial Development Organization (UNIDO). The UNIDO Council has representatives from 53 countries and is the highest organ in UNIDO during the period between annual sessions of the organization. The chairman of the Council is Swiss representative Eric Roethlisberger. Other vicechairmen are representatives from India and Cuba. [Text] [Warsaw RZECZPOSPOLITA in Polish 14 Aug 85 p 7] 9807

**POLISH-WEST GERMAN CHEMICAL INDUSTRY TALKS**--At the invitation of the Minister of Chemical and Light Industry, a West German delegation from the Kloeckner Corporation has arrived in Poland. The discussions concern the possibilities of participation by this firm in the implementation of selected undertakings to modernize the Polish chemical industry. On 14 August the Minister of the Chemical and Light Industry, Edward Grzywa, and the Vice-Minister for Foreign Trade, Ryszard Strzelecki, received the delegation headed by Peter Henle, chairman of the board of Kloeckner. The talks are continuing among industrial enterprises and foreign trade organizations. [Text] [Warsaw ZYCIE WARSZAWY in Polish 15 Aug 85 p 2] 9807

**POWER STATION FIRE**--Considerable losses were caused by a fire at the Lodz power station in the Widzew neighborhood. Although the fire was put out quickly, two large transformers have to be checked out and 16 tons of oil removed. As a result, 12,000 homes, the largest cotton mill in the country--The First of May Plant--and the thread factory "Adriana" were without electricity. Four hundred specialists are clearing out the rubble. On 14 August in the evening hours, people already had electricity thanks to a temporary cable hook-up with the electric network in other cities. The enterprises will resume production on 15 August. Losses are estimated at several million zlotys. A special commission is investigating the cause of the fire. [Text] [Warsaw RZECZPOSPOLITA in Polish 15 Aug 85 p 5] 9807

CSO: 2600/1043

YUGOSLAVIA

FRG WEEKLY REVIEWS PERMANENT POLITICAL, ECONOMIC CRISIS

Hamburg DER SPIEGEL in German 2 Sep 85 pp 142-154

[Unattributed article: "We're on the Way to the Poorhouse"]

[Text] Record-high debts, rising unemployment and inflation, wildcat strikes in the factories: the once-celebrated model of self-government by the workers has become, five years after the death of Tito, a design with no value. Party and state lack the authority to prevent the mutually hostile republics from drifting apart from each other.

In Slovenia, Yugoslavia's richest republic, the dock workers in Koper, a port on the Adriatic, refused to go to work: "We can no longer survive with these starvation wages!" Export goods destined for overseas and for Western Europe are piling up on the piers.

In Kosovo, Yugoslavia's poorest republic, workers at the Trepcia coal mines refused to go down into the mines: "You people are treating us as if we were your slaves!" Workers and functionaries have even come to blows with each other.

These days, wildcat strikes and spontaneous walkouts are setting off shock waves across the country that believed it had found, under the leadership of Tito, a road to a just form of socialism, via the system of self-management by the workers.

But Tito is dead, the model is a failure, and from month to month things are getting worse for the Yugoslavs. Dust has collected on the socialist icon, the gold leaf is peeling off the halo.

His picture still hangs in every classroom and government office, and at times larger than life on the outside wall of a factory: Josip Broz, called Tito, the liberator of Yugoslavia from fascist foreign rule and founder of the "Socialist Federative Republic," who died five years ago, is, according to the will of his heirs in positions of leadership in the party and government, to "live forever in the hearts of our people."

Day after day, even on Sundays and holidays, a long line of visitors passes through the mausoleum in the "Uzicka ulica" in Belgrade, in which the deceased hero of the people has found his final resting place. Workers, brought in by bus from the provinces, young people, army recruits and an occasional delegation from Africa file silently past the simple marble memorial stone.

In the years immediately following the death of Tito, wreaths and flowers were placed on the memorial. But when a local reporter in Belgrade described how one factory delegation had placed in Tito's mausoleum a bouquet of flowers that cost 240 marks, the newspaper received angry letters from its readers: many a working family had to live for a month from the same amount of money. Since then, paying homage to the dead has become somewhat cheaper.

The question of whether the path that Tito chose for the Yugoslavian people was the right one, or at least the best possible one, is raised-couched in cautious terms-in the journals of the intellectuals; in the pubs, the workers put the question much more directly.

The Serbian writer Rajko Curic, who last year was forbidden to practice his profession for this reason, has even publicly inquired whether or not it is true that Tito in the 1930's in Moscow had denounced his party rivals to Stalin and his secret police, the NKVD, as alleged "Trotskyites" and "deviationists."

In the Socialist Youth Federation, the question is debated whether May 25, which has been celebrated since the end of the war as Tito's birthday (his actual date of birth was May 7, 1892), should continued to be observed as "trashy hero worship" on the open-air stage of the Belgrade army stadium.

The dead hero's hunting estate in Vojvodina, in which the Yugoslavian royal family once lived, has now been handed over to the army; his vacation island of Brioni, which was off limits for average citizens during his lifetime, may now be visited by foreigners who have sufficient foreign currency.

And ugly incidents have occurred. In the small Serbian town of Cuprija, unidentified vandals demolished a monument to Tito; in Split, a Tito memorial tablet in the "Hallowed Grove of the Revolution" was destroyed. Youths who were asked if they could identify the vandals showed sympathy for the perpetrators and testified that they were sick and tired of the old cock and bull stories from the time of the partisans. To their way of thinking, a much more important question was: "Why can't we get work?"

But even in the outside world, Tito's fame has tarnished quickly and applause has dimmed for Yugoslavia's courageous path between the blocs. Yugoslavian leaders tried in vain to arrange to have the next summit meeting of the non-aligned nations held in Yugoslavia.

State delegations, especially from the third world, which in former times headed for Belgrade, are rare today; this is probably due chiefly to the fact that nothing more can be gained from Yugoslavia's empty treasury. At conferences of the non-aligned nations, Tito's colorless heirs sit only in the

second and third rows. More powerful leaders, such as the Moscow friends Fidel Castro of Cuba and Gaddafi of Libya, or the new star, the Indian premier Radschiv Gandhi, are now the spokesmen.

Belgrade's most prominent government critic, Milovan Djilas, who fought at Tito's side during the partisan struggles and was later an inmate in Tito's prisons, has given the following, hopeless diagnosis of the post-Tito era: "Nothing is healthy in this system."

This is a reference above all to the permanent economic woes which are causing the country from year to year to sink ever deeper into debt, without any sign of improvement or even of change:

- Yugoslavia has foreign debts of \$24 billion and heads the list of European debtor nations, in per capita terms, even ahead of Poland. All foreign currency receipts expected for 1985 will not suffice even to meet the interest and installment payments that are due.

- Inflation, which has jumped since 1980, has already reached 85 percent and, according to expert estimates, will this year pass the 100 percent mark. These are the highest figures in Europe and approach Latin American dimensions.

- Industrial productivity has fallen behind that of Rumania. The real work day amounts on an average to only three hours and six minutes; only 60 percent of industrial plant is utilized.

- Because of low wages, currency devaluation and rising prices, the standard of living of the Yugoslavs had dropped to 1961 levels. Almost half of the families live below the poverty line.

- The number of unemployed persons, officially reported to be 1.3 million (20 percent) is rising. If plant management were rationalized, an additional 2.5 of the present work-force of 6 million would be without work-which would correspond to an unemployment rate of over 50 percent.

- All factories in Yugoslavia have superfluous personnel, and because even the most incompetent must find a job, the hiring of new, and especially of younger, workers is avoided: over 80 percent of the unemployed are young people who have never been employed.

Even the Central Committee of the "League of Communists," which, with its slogans urging the people to hang in there, is usually optimistic, reached the conclusion last spring in its situation report that the country had reached the outer limits of exhaustion and that its leadership was in danger of losing its credibility among the people.

A Belgrade sociologist who wishes to remain anonymous-and this, too, is typical of the political climate after the death of Tito-describes the situation:



Seen in psychological terms, our situation is even worse than that of the Poles. They have experienced a bitter disappointment, but nonetheless they have realized that the only way to climb out of the morass is by their own efforts. But here there is no one individual-or, to put it better, it is everyone-that can be held responsible for the disappointment. Without motivation, without expectations, we fall further and further behind, like an exhausted runner, until, without really comprehending what is happening, we will end up in the poorhouse of Europe.

This is not a kind of poverty that is evident in public places. To be sure, there are many more beggars prowling the streets of Belgrade today than there used to be, and the shops in the inner city that sell luxury items must try to attract a different clientele: in front of the showcases with their formidably expensive creations, the salespeople try to hawk cotton socks and cheap dresses from piled-up cardboard cartons to the passers-by.

But the majority of Yugoslavs do not create the impression that they have just stepped out of the poorhouse. The sidewalk cafes in Belgrade, Zagreb and Ljubljana are filled night after night, and not many of the elegantly dressed guests are tourists.

Anything can be obtained in the shops: in the pedestrian zone of downtown Belgrade there is perfume from Paris (DM 100 a bottle) and genuine Scotch whisky (DM 48).

At the "Jugoexport," a bridal gown sells for 50,000 dinars. Even the salesgirl has no idea who could afford to buy it, for a textile worker in Slovenia would have to work two months to be able to make the purchase, and a worker in Macedonia, where wages are much lower, would need almost three months.

Hundreds of luxury yachts and motorboats belonging to Yugoslavian owners bob at anchor in the harbors on the Adriatic. None of these boats is available even in the West for less than DM 100,000. No one asks in public who has been able to acquire so much money, and how.

A student newspaper in Ljubljana made up a cynical verse on the carefree mood of doomsday that prevails throughout the country, which is a variation on the theme of a one-time well-known film title: "Dance by an Open Grave."

The real poverty is hidden behind closed doors. Even those who still have work are no longer able to provide for their families from their wages alone. Whenever it is possible, wives have to work to earn a second income. But usually, there are no suitable jobs. Of the statistically recorded 6 million workers, two million are women-moonlighting appears to be the only recourse.

Statisticians of the Republic of Serbia have estimated that the minimum monthly income for a family of four, in which both father and mother work, is 35,925 dinars (DM 378). But the cost of living, used as a basis by the Office of Prices, is three marks higher for the same family. And this despite the fact that those who perform these calculations allow barely two marks a month for these four people for "hygienic purposes," which is the price of three bars of soap.

Branko, an electrician from Belgrade, married and father of three children goes over the figures:

In our plant, I receive 25,000 dinars a month, and my wife brings home an additional 14,000 by working as a waitress. When the workday is over, we both go moonlighting-she as a trained hairdresser and I do odd jobs for the neighbors, when they have something that needs repair. This brings in another 12,000 dinars. This makes 51,000 dinars (DM 536) in all for five people.

Almost half of this amount goes to pay the rent and the bills for heat, water and electricity, "costs which are constantly on the rise." Branko's family has not been able to afford any larger purchases, such as a bicycle for the children, in the past three years. This year the children could not be sent to a vacation camp at the ocean, because the money was just not there.

"The only thing keeping our heads above water are relatives who are small farmers in the country. They keep us supplied with meat, animal fat, vegetables and fruit. If you don't have this sort of connection, or a guest worker in the family, you will not be able to survive legally.

Because political leaders in Belgrade know only too well of the country's distress, they attempt to defuse rumors that the comrades in top positions have a much better life. Thus Radio Belgrade reported that even Premier Milka Planinc, who earns DM 1,300 a month, does not earn more than an engineer in a successful factory in Croatia.

But these gloomy statistics of low wages, high prices and a drop in the standard of living conceal the main problem confronting Yugoslavia: the republics in the south of the heterogeneous nation, Bosnia-Herzegovina, Montenegro, Macedonia and the autonomous province of Kosovo, are much worse off than their neighbors to the north (Serbia, Croatia, Slovenia and the autonomous province of Vojvodina).

The disparity between the living and working conditions of a worker from Kosovo, which is inhabited predominantly by ethnic Albanians, and his colleague from Slovenia has surpassed that between a farmhand on the island of Sicily and his counterpart in Sweden.

Ministry experts and managing directors of the factories have ready excuses to explain this financial decline. They blame the rapid jump in the price of oil, difficulties in selling on the world market, and continued high interest rates in the USA: in short, the evil world beyond Yugoslavia's borders.

Upon continued questioning the managers will also admit that Tito left his heirs to cope with a mountain of debts and an empty treasury, because of his unabashed borrowing, especially from the West. This, however, does not explain why the mountain is getting larger and larger, and why the treasury is still empty.

To be sure, there is much discussion and much written about the primary cause of the economic crisis, which is at the same time the core of Yugoslavia's type of socialism: "self-management by the workers." This discussion focuses on ways to improve this technique, but no one seriously wants to bring up fundamental criticism.

The notion that workers could run the plants, and citizens the state, on their own responsibility originated with Edvard Kardelj, a Tito intimate who died in 1979. Kardelj, a leftist schoolteacher from Slovenia who stood at Tito's side during the partisan struggles, rose after the war to the position of chief ideologist of Yugoslavian communism.

He is still honored today as a great thinker. His legacy, mountains of manuscripts, is maintained in the "Center for the Theory and Practice of Self-management" in Ljubljana, which bears his name and where the first collected works of his writings are being prepared for publication—in 65 volumes. Marxist patriarch Lenin only filled 55 volumes.

After their break with Stalin in the early fifties, the Titoites were mainly interested in developing a system that would differ to a like extent from western capitalism and from the Moscow prototype: Tito's followers were the first to believe in a political alternative.

Kardelj's utopian model, which he altered again and again, based on the rule of the masses, was directed at the demise of all forms of central governmental power, assigning to the communist party, which for Moscow was an indispensable instrument of power, a merely advisory capacity. But neither the state nor the party in Yugoslavia are prepared to relinquish their power voluntarily.

It is ironic that this model, which is based on the political maturity and practical reason of all the citizens, was designed for a state that only originated after the First World War as a colorful Balkan patchwork—a country in which, in traditional animosity and suspicious of any type of hegemony, six different ethnic groups live, with 24 national minority groups and three religions: Catholic, Orthodox and Moslem.

This is, moreover, a land whose borders are challenged by its neighbors—usually with the help of related minorities. Communist Bulgaria demands Macedonia, Communist Albania demands Kosovo, where for the last five years the demand by the majority of the population for more autonomy has been suppressed only by sending in the army and the declaration of a state of emergency.

Despite these handicaps, Yugoslavia was successful in setting its own course. The bold swing away from Moscow mobilized the masses, and the economy, unleashed from the policies of central planning, began to flourish. Until the end of the 1960's, millions in the West regarded Yugoslavia, with its mild and comparatively successful form of socialism, as an exemplary country. Leftists from East and West, disillusioned and disappointed by the Moscow model, placed in Yugoslavia their hopes for the realization of a socialist democracy.

But the elan of the mood of these early days has long-since disappeared. Despite foreign aid, the economy is still in a state of permanent crisis, and the political leadership defends itself against the indignation of its disappointed people with terror and repression.

Amnesty International, an organization that aids political prisoners, has just published a report on Yugoslavia in which it documents "serious infringements against human rights." In recent years, hundreds of people have been arrested, sentenced and tortured, charged with alleged political crimes.

The International Monetary Fund (IMF) twice blocked already-promised loans within the space of one year because the politicians responsible for the economy did not observe the conditions to which both sides had agreed. An IMF spokesman: "It is difficult to identify just who is responsible for the Yugoslavian economy."

The decline of the economy, its inefficiency, the often senselessly squandered investments and the lack of industrial effort on the part of the workers are a result of the system of self-management. This system places impossibly high demands on the state, as well as on the people.

The central government, the republics and localities, the banks and the industrial plants jealously watch over what happens with the shrinking amount of available money and insist that their authority be respected. Investments are not carried out in accordance with their degree of maximum profitability, but because politicians constantly have to take regional, i.e. national, interests into consideration: separatist tendencies are pretty much programmed into this system.

In the meanwhile, the self-management system holds sway in every area in which people live together or work together. Each residential district has its own mini-parliament, every factory has its council of workers, even in the prisons and psychiatric institutions the prisoners and patients have their own decision-making boards.

Every worker in Yugoslavia must, both at his place of work and in his residential district, vote up to thirty times a year on the question of how much of his income is to be used for the public good. He must decide at the plant on issues related to reserves and investments; in his residential district he votes on the construction of schools, hospitals and apartment houses.



These decisions are preceded by endless discussions that, at best, inform, but usually only manipulate, the people at the grass roots level. For it is only the bookkeepers and experts who are still able to comprehend the ever more complicated figures concerning profit and loss, deductions and bank interest. Self-management by the workers has allowed the power of the bureaucracy to expand, which stands in total contradiction to the original intention.

Every industrial plant consists of several autonomous base organizations, in which workers in the same branch are united: those who paint automobiles belong to a different group from those who assemble automobiles. Because this voting also determines the allotment of "personal income," i.e. the wages for each group, this is an obstacle to the formation of a sense of solidarity among the working population as a whole. Workers intent on striking are often denounced or even beaten up by their colleagues.

It is hardly worthwhile for the individual to work more or better. Within the group, the same wages are paid, and these are shrinking in any case, due to fixed costs and deductions. The right to work, which is spelled out in the constitution, protects even drunkards and loafers against dismissal.

Each base group elects its own delegates to represent its interests. Over 2 million of the 6 million working people in the country are delegates-and are thereby released, at least at certain times, from the production process. From the "self-management interest groups" in the residential districts and the "base organizations of associated labor" in the plants, at the levels of community and republic, on up to the Federal Executive Council: every seventh Yugoslav is a delegate.

These laymen, who are elected anew every four years (up to the communal level work in the various councils is unpaid), have to vote on the purchase of a coffee maker just as on a planned investment amounting to millions, the purpose of which they are for the most part unable to evaluate. The vote is almost always simply a ritual confirming a decision made some time ago at higher levels.

For the beneficiaries of decentralization are not the workers in the factories nor the citizens in their residential districts. The central government must now share the absolute power that used to be its exclusive prerogative with the republics and communities. Out of a simple instinct for self-preservation, the bureaucrats show little inclination to hand over decision-making powers: self-management has become an alibi.

There is constant bickering over the scanty funds available. The bureaucracy and the party again and again intervene as arbitrators and mediators, thus obviating the system of self-management. "We are held accountable, but those at the top make all the decisions," was the complaint of a member of a workers' council in Belgrade.

The Croatian journal DANAS has described the manipulation in such a situation, and reached the conclusion that "self-management is becoming a farce."

Furthermore there is the fact that Tito's system of a "socialist market economy" is an absurdity, and not merely in name only. Market prices are not determined by supply and demand, but by the bureaucracy, which blocks decisions made by the industrial plants by means of price controls, rationing and a quota system.

The result: workers and citizens are split up into countless infinitesimal units, with their general orientation being determined by the city hall politics of the local party boss. There is no possibility of thinking and acting on behalf of a common national economy. Decisions are made, not based on market analysis and economic competition, but on the basis of greed and even suspicion of one's neighbors. As early as the beginning of the 1970's, chief ideologist Kardelj lamented that "every village wants to have its own steel plant."

Yugoslavia has invested billions, usually acquired as foreign loans, in absurd projects, such as industrial plants that have long since gone bankrupt, or in which production was never begun in the first place.

Sugar factories were built with a total capacity that is almost twice as great as the harvest. There are now 105 factories that manufacture articles of clothing made out of tricot, most of which were opened after it had already been established that such products did not sell.

An aluminum combine was built in Obravac in Croatia, because geologists believed that a bauxite deposit was situated nearby. After construction was completed, it was learned that the experts had made a mistake. Now the factory is to be taken down piecemeal and sold to China, or the empty buildings are to be used as a farm for fur-bearing animals.

The financial director of the combine testified that equipment and manpower had mostly been used to build luxurious villas, at no cost, on the Adriatic island of Pag for Croatian functionaries. He claimed that even Croatia's minister of finance Jovo Galic had acquired his vacation home in this manner. An enterprise in the Republic of Bosnia-Herzegovina, which was begun two years ago with loans from the World Bank, for the processing of potatoes already has debts amounting to 2.3 billion dinars, of which it cannot even meet the interest payments, because the plant is operating at only 40 percent capacity. The reason: inadequate supplies of the needed raw material-potatoes.

In Babusnica on the Bulgarian border, powerful locals acquired machines for a brickworks, which, however, could not be used to process the local clay. In Kavadarci, near the border to Greece, a gigantic combine was built at a cost of almost \$2 billion for the refining of ferro-nickel ("Feni"), until the directors noticed that there was in the vicinity of the plant no ferro-nickel worth extracting. The plant stands silent, and the whole Republic of Macedonia has so many debts that for the first time, the average wage is even lower than it is in Kosovo.

A mania for projects on a massive scale typifies Yugoslavian industrial planning, although such projects do not correspond to the economic structure of a developing country and serve only to enhance the risks. Most of the

projects undertaken by a community or a republic require a concentration of funding which, in any case, is already very limited. In order to pay off the debts of the "Feni" investment ruin, the entire Macedonian Republic must dispense with any type of investment for years to come.

The most recent of these mammoth projects is already underway. The "Crvena Zastava" ("red banner") automobile factory in Kragujevac in Serbia, which, under licensing from Fiat has been manufacturing private automobiles and delivery vehicles since the end of the war, intends to conquer, of all things, the American market. In the face of strong competition from Japan and Western Europe, Zastava intends to sell the middle-class car "Yugo 55" in the USA, where there are a million buyers waiting for it, in the opinion of plant managers. In order to compete in this tight market, the vehicle, which has a retail price of \$3,990, will be \$1,160 cheaper than its closest competitors.

It is said that Lawrence Eagleburger, former US ambassador to Yugoslavia and currently head of the consulting firm Kissinger Associates, Inc., negotiated the transaction. If the deal is successful, managers in Kragujevac anticipate something like \$1 billion in foreign currency; if it fails, because the firm over-extended itself in both technical and in business terms, this project of "autos for America" is headed for the next gigantic bankruptcy.

The factories' run on foreign currency, with which they are able to purchase raw materials and to modernize their facilities, is contrary to any kind of economic reasoning. The Tuzla salt mines are unable to supply the market, because there are no bags, since Yugoplastika, the company that supplies the bags, prefers to sell them in the West at dumping prices. Last year, the province of Vojvodina exported 7,000 tons of barley for 120 million dinars, yet it had to import 1,000 tons to meet its own needs, at a cost of 300 million dinars, which of course had to be paid in foreign currency.

A state refinery required that factories in Croatia pay for their deliveries in foreign currency. Serbian representatives of an automobile insurance company were chased away from the Adriatic coast with the argument that here they were in alien territory.

After days of discussions of the lack of economic reasonableness, the Central Committee of Serbia reached the following conclusion: "One gram of power outweighs one pound of brains." There is no scarcity of suggestions as to how this downward trend might be halted. In recent months, at least a dozen books have been published, containing suggestions for economic reform.

Branko Horvat of Zagreb and Alexander Bajt of Ljubljana, both professors of economics, are the farthest-ranging in their criticism of the system, but, in their suggestions, both are also the farthest apart from each other. Horvat, 57, who was nominated by his American colleagues for the Nobel prize, although he was not elected, favors the absolute power of the experts. The professor believes that economic decisions must be left to those who have studied economics.



After all, even the Bonn government regularly requests counsel from the "council of the wise," and even the Central Committee of the Communist Party of the Soviet Union accepts advice from academic specialists. It is only in Yugoslavia, the professor claims, that every party member believes that he has a right to speak to economic issues.

Horvat demands the return to a state economy with a Babylonian tower of planning authorities on all levels, including a "compensation authority," which, for example, could compensate a plant that was forced to stop production because this was in the best interest of the national economy as a whole.

In his book, "Political Economy of Socialism," which was published in the United States in 1982, Horvat declared candidly: "The Soviet economic system is inefficient but logical, while ours is inefficient but also illogical." His most recent suggestion may bring Yugoslavia's economy closer to logic, but whether or not its efficiency will also be thereby increased is a question that Horvat refuses to answer: "I do not discuss internal political problems with foreigners."

It is otherwise in the case of Professor Bajt, 64, head of the Economic Institute in Slovenia and occasional consultant for the International Monetary Fund. He believes that the country's economy is so unhealthy because the Yugoslavian model has not yet been completed: "The market is the essential element in the system of self-management, but this key element has been completely overlooked."

Instead of creating factories that are able to react freely to "signals from the market," and especially to prices, in Yugoslavia the prices for everything have been determined artificially: beginning with the prices for capital and labor, to prices in export trade, to the prices of products.

Bajt suggests, "even though it may require considerable sacrifice at the beginning," that prices be liberalized immediately and completely, and that each factory be allowed to manage its own receipts: "Each subject must decide about its own income." There is no talk of socialism from this Slovenian Erhard.

The suggestions made by Cedo Grbic, senior partisan and judge at the Croatian Supreme Court, orient themselves much more to daily practice. Although he has been furiously attacked by the party press for his views, Grbic suggests that the private sector of the economy be given more encouragement and that it be expanded.

In Yugoslavian agriculture, in which 90 percent of operations are privately run, in the trades, in small retail operations, in transportation and in tourism there would be, according to Grbic, an increase in productivity and in the number of available jobs. On the one hand, the unemployment figures could thereby be reduced and on the other hand, both the public and the state could profit from productivity that would in any case have been carried out, in the form of moonlighting: Hungary's pragmatic economic reforms send their best wishes!



But the Communist Party of Yugoslavia has a hard time dealing with the idea of a private economy, which, in its view, could jeopardize anew the power of the Communists and which, moreover, "spreads false ideals," in the words of the party newspaper "Borba."

Farmers are not allowed to own more than 10 hectares, must pay higher prices for chemical fertilizers and seed, and are not permitted to sell their products privately via third parties. This means that most small farmers operate at the subsistence level and do little on behalf of the subsistence of the country.

Recently, three young traders at a weekly market in Zagreb had their goods seized, because they offered strawberries at 250 dinars a kilo. The traders of "the public sector" had demanded 400 dinars, and had not been able to sell their products.

The negative political attitude towards the private economy has also prevented many returning guest workers from opening private businesses with the money that they were able to save abroad.

For twelve years, a law was discussed in Yugoslavia which would make it easier for workers returning home to bring with them foreign machinery and equipment duty-free. The law has now been passed, but these "petty capitalists" nonetheless have to fill out up to fifty forms in order to apply for permission to open their own businesses.

For this reason, most guest workers-or at least those who have not chosen to remain abroad-have built homes for themselves with their savings. Ten thousand new homes of this type have been built by private initiative, especially in Slovenia and Croatia. Here the returnees live rent-free and provide the necessities for their families from their own gardens and animal pens; they can live free from aggravation and risk from the rent they receive for a two-room apartment in the house, or from guest rooms for vacationers.

Neither the leadership of the state nor that of the party is able to come up with solutions to these pressing problems: the attention of both groups is focused completely on protecting their own power. Stane Dolanc, one of the eight members of the ruling State Presidium, recently declared: "Discussions concerning changes in the system create a political climate that at the moment we do not need."

He knows what he is talking about. For in the struggle for foreign currency and for markets, for influence or even for hegemony, the federation, which was locked together by Tito in an iron grip, has long since splintered into eight hostile principalities: Yugoslavia is on its way to becoming a confederation without binding authority.

Blagoljub Babic, a Serbian communist, warned in "Borba:"

It has long been known that a people will only respect the state to the extent that the state respects its own laws. But the inability of the state to guarantee the authority of the laws weakens the authority of the party, for in the final analysis, power resides in the control of the latter.

Whether or not the party still indisputably controls power is not at all certain. Behind the facade of regional demands, the historical enmity of the Yugoslavian peoples reawakens, the dream of hegemony returns, and also the fear of suppression. Comrades from Serbia and Croatia openly carry out their feuds, Serbian functionaries demand the return of old rights in Vojvodina and in Kosovo, and Macedonian party functionaries speak of cultural suppression at the hands of the Serbs.

Because of this hostility and distrust between the peoples, however, there is no feeling of solidarity among Yugoslavian workers as there is in Poland. No Croatian worker would strike on behalf of his Serbian counterpart.

The Slovenian psychiatrist Pavlo Brajsa, who has written a book on the "Psychology of Self-Management," regards the lack of resistance on the part of the workers against the system as an example of one of the successes of the system of self-management: "Our workers have become accustomed to conflict, and have learned to deal with it."

It is more likely that the workers see little hope in carrying out efforts at resistance that could quickly lead to civil war, in which more attention would be paid to the settlement of old debts than to their rights.

Premier Milka Planinc recently visited both the USA and the Soviet Union and received German chancellor Helmut Kohl in Belgrade. All of these discussions focused primarily on new loans.

There was no lack of disappointments, but nowhere was the ruling comrade turned down cold. The West wants to keep this non-aligned state from becoming dependent on Moscow, while the East fears the influence of the West. Even long after Yugoslavia has gone into bankruptcy, money will continue to flow, out of consideration for the maintenance of equilibrium in world politics.

Only one voice, that of economist Kosta Mihajlovic, raised the question at a symposium of whether, for all time to come, Yugoslavia would continue to be held not accountable for its mistakes: "Yugoslavia itself bears the responsibility for its many problems. We should at last forgo the illusion that capitalism is a charitable aunt who must help us every time we scream."

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